MID-CONTINENT BANKER

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Wiser Technology Use Needed by Banks

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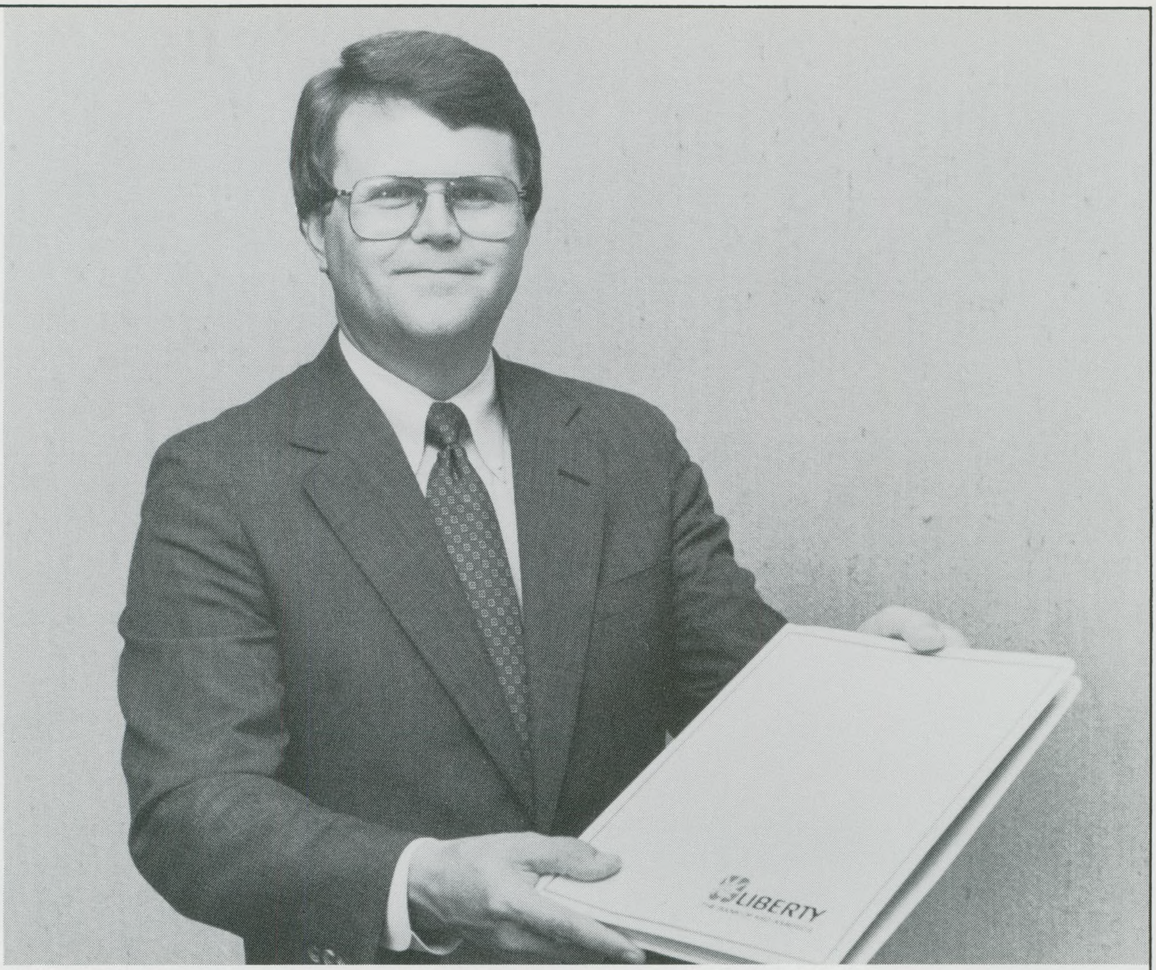

James E. Talkington, Senior Vice-President, Correspondent Banking Division, Liberty National Bank and Trust Company.

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CONVENTION CALENDAR

July 22-25: ABA State Association Staff Conference, Chicago, Chicago Marriott.

July 22-Aug. 3: Consumer Bankers Association Graduate School of Retail Bank Management, Charlottesville, Va., University of Virginia.

Aug. 12-17: ABA Banking Personnel Graduate School, Boulder, Colo., University of Colorado.

Aug. 12-17: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.

Aug. 12-17: Central States Conference Postgraduate Course — Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 12-24: ABA National/Graduate Trust School, Evanston, Ill., Northwestern University.

Aug. 12-24: Central States Conference Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 15-17: Central States Conference Banking Seminar College Faculty Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 19-22: Independent Bankers Association of America Seminar/Workshop on the One-Bank HC, Colorado Springs, Colo., the Broadmoor.

Aug. 19-24: Independent Bankers Association of America Senior Bank Officer Seminar, Boston, Babson College.

Sept. 1-4: Assemblies for Bank Directors Assembly 58, Colorado Springs, Colo., the Broadmoor.

Sept. 9-11: Kentucky Bankers Association Annual Convention, Louisville, Galt House.

Sept. 9-12: ABA National Bank Card Conference, Washington, D. C., Washington Hilton.

Sept. 10-12: Independent Bankers Association of America Basic Commodity Marketing Seminar, Chicago, Westin Hotel.

Sept. 12-15: Bank Administration Institute National Convention, Denver, Fairmont Hotel.

Sept. 16-18: Independent Bankers Association of America Commercial Loan Workshop, Kansas City, Radisson Muehlebach Hotel.

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

IN THIS ISSUE

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By Dr. LEWIS E. DAVIDS
Professor of Finance
Southern Illinois University, Carbondale

Serious Talk About Switching Charters

SUGGESTING in the November, 1983, issue of MID-CONTINENT BANKER that banks seriously consider switching charters to that of federally chartered thrifts produced a high incidence of telephone calls and letters.

A number of banks have taken the idea seriously, but so far there has not been a tremendous movement toward banks switching charters. On April 18, no less than C. T. Conover, Comptroller of the Currency, suggested in an address to the North Carolina Bankers Association that the time has come to take switching charters seriously. Let me quote the remarkable words used by Mr. Conover in that address:

"Is it time to switch charters? If you doubt the seriousness of the choice, let me give you some facts. First, federal thrift institutions have most of the powers of commercial banks in that they can engage in real-estate development and can operate ATMs across state lines. Furthermore, federally chartered thrifts virtually are unlimited in their activities — plus thrifts receive special tax benefits. If I were in your shoes, I would consider trading in my commercial-banking charter and becoming a unitary-thrift HC.

"Your HC could include segments in loan associations, a full-service securities firm, an insurance company and a commercial-finance company. Your S&L could have a nationwide network of ATMs and could meet a portfolio test. If you start getting too many commercial loans, you can sell them to your commercial-finance company, buy them for your insurance-company portfolio or pool-sale them on the outside with your full-service securities firm. You certainly can't do any of that with the charter you have now."

When an academic such as myself makes such statements, one might easily dismiss them as the thoughts of an individual who has little power to change policy. That the Comptroller of the Currency would suggest that banks switch their charters — especially in front of a large group of bankers — is remarkable. In effect, the primary regulator of banks was telling bankers they'd be better off if they sought another regulator. It is almost unheard of that the head of a major government agency would take such a stance.

> **Banks thus would face an interesting situation in which they would be forced to graze familiar pastures, but with new and powerful competitors fighting for the same limited turf.**

In fact, I can recall only one other incident of a government official trying to put his agency out of business. That was in the 1800s, when the head of the U. S. Patent Office said that everything of significance already had been invented and that the patent office no longer was needed.

We're now in the midst of a charade that takes place every four years. Congress suddenly decides that no legislation of significance can be passed with elections imminent, and all substantive proposals — no matter how badly needed — must wait until after the elections are over. Some financial institutions can take a rather sanguinary view of this period of congressional inactivity.

Nonbanks such as Sears are having a heyday in getting their positions consolidated in financial areas bankers previously had considered their sole domain.

Mr. Conover made an additional point in this regard. He said: "If we look at the financial-services marketplace, we can see that there no longer is a single service or product line that is offered exclusively by commercial banks.

"I can have my checking account at Dean Witter," he continued. "I can get my mortgage from a real-estate company or from First Boston and I can have a bank card from the AAA. The only way you can catch up without changing your charter is through further deregulation."

Another significant point made by Mr. Conover is that further deregulation appears unlikely. In fact, strong sentiment for turning back the clock and reregulating the financial-services market exists in Congress, according to Mr. Conover. The recent debacle at Continental Illinois National of Chicago can only have helped make further deregulation even less likely.

We even may see an exponential growth in new financial-service legislation. As is common in legislation emanating from Washington these days, a grandfather clause of some type probably would be included. Organizations that had slipped out before Congress had shut the barn door probably would be permitted relatively free range within their already established limits.

Banks thus would face an interesting situation in which they will be forced to graze familiar pastures, but with some new and powerful competitors fighting for the same limited turf.

It, indeed, is much easier to scramble the financial egg than to unscramble it. So far, some banks have shown relatively little enthusiasm for the privilege of expanding into new, unchartered waters deregulation would bring. Banks, rightly, have taken pride in their emphasis on caution compared to other types of financial institutions. Recent events have shown that caution is warranted; banks seem to get into trouble when they venture too far

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Correspondent Banking: Where Is It Headed?

CORRESPONDENT BANKING. Is it changing? How? What effect has competition from the Fed had on it? What new services are being planned or offered? What services are being dropped because of nonprofitability or lack of demand by respondents?

MID-CONTINENT BANKER editors asked these and other questions of correspondent-bank-department heads in the area served by this publication. Replies showed that, contrary to some rumors, correspondent banking is alive and well, as shown by this comment from Troy Philley, senior vice president, cash management, InterFirst Bank Austin (Tex.): "The correspondent-banking business is going great. I think the reason some banks have quit or slowed down is because they stopped serving their customers' needs or stopped giving good service. It is a service business, and when we quit serving our customers' needs, they will look to someone else for their needs."

Another enthusiastic plug for correspondent banking came from J. Max Smith, vice president, Citizens Fidelity, Louisville: "Within the industry, the business of correspondent banking probably is the most challenging, most stimulating and offers more opportunities than virtually any other area. Changing and evolving — yes; dying — no."

Mr. Smith points out that this era for his business is influenced by several factors that, heretofore, had been nonexistent: 1. Increased Fed competition. 2. Deregulation of the industry. 3. Increased competition from inside the industry. 4. Increased availability of affordable high technology to respondents.

John R. Reynolds, vice president, Manufacturers Hanover Trust, New York City, also is optimistic about correspondent banking's future as he says, "At Manufacturers Hanover Trust, we certainly believe correspondent banking offers excellent and exciting market opportunities. In our opinion, the key to success in this marketplace is an accurate analysis of, and response to, a competitive environment being reshaped by deregulation and profit pressures being experienced by the industry."

Fed Competition. Is the Fed taking much check-processing business away from correspondent banks? If so, to replace this income, are correspondent banks developing new services for their respondents? Are they searching for a special "niche" to fill in correspondent banking?

A Chicago banker says the Fed has been an aggressive marketer for noncredit services throughout the country. In fact, he continues, the Chicago Fed has been so aggressive it has taken business not only from his bank, but from other large downtown Loop banks.

"Pricing pressures," he believes, "play a large part in the Fed's marketing efforts, and we will continue to watch how this pressure may or may not change over the next year. It's difficult to indicate specifically how much volume we have lost, largely because we also have gained additional volume from other parts of the country — away from our competitors — and currently are in the process of regaining some of our lost volume from the Fed. The key ingredient to the customer is quality of service, and our bank historically has been held in high regard as an achieved processor."

This same banker adds that his bank has not moved away from check processing as an income producer. In fact, it continues to upgrade its internal procedures and systems to provide an even better quality product in the future. An adjunct to this, he continues, means more timely information to the bank's customers around the clock, seven days a week."

Those banks reporting loss of business to the Fed give percentages such as 1%, 2%, 5%, 8%, 10%, 15%, 20% and even 50%!

Manufacturers Hanover's check-collection-service volume, says John Reynolds, comes mostly from retail and non-correspondent wholesale customers. About 15% of its check volume comes from correspondents. Implementation of noon presentment and the Fed's expanded interdistrict trans-

"Arkansas Bank is responding slowly to changes in correspondent-bank services. It is our feeling the Fed has a distinct advantage in certain correspondent services, such as check clearing, to the point its pricing makes this type of service unprofitable to us. Therefore, we are not too alarmed by the Fed's sudden insurgence into this activity.

"I am of the opinion that the greater threat to independent banks is not necessarily the Fed, but interstate banking and multi-bank-HC affiliates.

"It seems to me that over the next few years, correspondent services most likely will be provided by a flagship bank to those banks affiliated with them in a holding-company structure. As a result, we see a lot of shifting from one bank to another. We do feel, however, there may be a place for correspondent banks such as ours to fill the void by providing services to other independent banks." — ***Bill Lynch, senior vice president, Arkansas Bank, Hot Springs.***

portation system (ITS) in 1983 caused a shift to the Fed of 10%-12% of MHT's correspondent volume, he says. Since that initial drop, he adds, through new-product packaging and incentive pricing, MHT has recovered about 50% of the lost volume. Measured against total check volume processed, says Mr. Reynolds, MHT's losses to the Fed over the last two or three years are between 1% and 2%.

H. E. "Sonny" Johnson Jr., first vice president, Third National, Nashville, reports his bank has lost less than 10% of its check-processing business to the Fed. Some banks that went to the Fed, he points out, are having second thoughts about leaving Third National because the Fed does not give good, prompt service to a customer when help is requested on such things as lost items, etc.

While Citizens Fidelity, Louisville, has lost less than 10% of its check-processing volume to the Fed, says J. Max Smith, the Fed is a formidable force to be dealt with. Of course, he adds, its main thrust continues to be strictly price advantage, and while this is an important advantage, it is, by no means, the overriding factor.

At Fourth National, Wichita, the vast majority of its check-processing volume is generated through its country-bank customers. Up to this point, says Thomas A. Page, vice president, the Fed has made a significant, but not overwhelming, inroad in the market. He cannot quote a percentage of check-processing business Fourth National has lost to the Fed, if any, but the Fed's statutory privileges give it a distinct advantage in competition for check-processing activity.

A Kansas City bank lost less than 10% of its check-processing business to the Fed initially, but has recouped all or more of that business.

Bart J. Solon, vice president, Springfield (Ill.) Marine Bank, reports his bank has lost little business to the Fed in the past year. However, he says the Fed's influence is more pronounced in his bank's efforts to acquire new check-processing clients.

"The Fed indeed has garnered a larger share of the check-processing market on a national basis," says L. Dean Clausen, vice president, Millikin National, Decatur, Ill. "As a matter of fact, much of our outgoing-clearings items now are being sent to the Fed, where previously, they were cleared through a series of city-bank correspondents.

"Our bank is located in central Illinois, approximately equidistant between Chicago and St. Louis. Our concentration in check processing for our respondents has been regional in scope, and we have not competed for the same type of processing city correspondents have been involved with. Because of this regional influence, we have not lost any appreciable check-processing business to the Fed, and we are in the process of taking steps to assure we will be able to maintain that regional influence."

At Citizens & Southern National, Atlanta, Executive Vice President John B. James says that of the cash letters the bank *lost* in 1982, 70% went to the Fed. Although Mr. James doesn't have figures for last year, he knows the trend of cash letters moving did slow down, and he assumes that those letters that did move went to the Fed. This is not to suggest, he adds, that C&S has lost any tremendous amount of its business, but it has noticed that the Fed is a much more competitive factor than in years past.

Since last January 1, Chase Manhattan Bank, New York City, has lost 8% of its check-processing business to the Fed. However, this has been substantially offset by increases in the bank's off-peak cash-letter business.

On the other hand, Troy Philley of InterFirst Bank Austin doesn't believe his bank has lost any of its clearing

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New Correspondent-Service Demands Mean More Business for Suppliers

CORRESPONDENT banking is one of the most rapidly evolving businesses in the financial-services arena, according to a study made for the ABA early this year.

The rapid evolution should be expected because the market for correspondent services is under tremendous pressure to change, the study says. Correspondent banks are looking at the business in different ways. It's seen to be either unchanged and not unique, shrinking and less attractive or evolving and offering great opportunities.

Which of these conclusions a bank reaches depends to some extent on its market position and the degree of local competition. The more profitable banks and those with broader customer bases generally are the most energetically committed. Larger banks show more willingness to retrench in correspondent banking because they see greater business opportunities in other areas.

A major factor in influencing a bank's commitment is the extent to which it has been able to systematically analyze its position, formulate a strategy and organize and evaluate the function appropriately. It appears that the business of selling services to financial institutions can be a growth business over the next decade. Due to economies of scale and deregulation, the business will require more innovative and thoughtful management than previously. Many banks will choose not to make such a commitment, finding other opportunities more attractive.

Committed banks will find barriers to overcome as well as opportunities for growth. The barriers come primarily in the form of geographic deregulation, which is likely to reduce the number of independent banks, and from the Fed, whose aggressive competition already has resulted in reduced cash-letter profitability.

Product deregulation will provide opportunities to offer new correspondent services to financial institutions that would like to provide expanded services, such as discount brokerage, but can't do so in-house. Even geographic deregulation may provide new opportunities within correspondent banking as it enables banks to utilize location expansion to provide better delivery systems to customers. Geographic expansion provides better opportunities for correspondent banks to compete with the Fed, which has as one of its strengths the ability to deliver services nationwide.

The study concludes that, while absolute market size measured by number of customers may shrink over time, the breadth and complexity of new services required to remain competitive in the banking industry will present challenges on which new business can be built.

The above material is taken from "Report on the Strategic Importance of Correspondent Banking Services," prepared by Peter Merrill Associates, Inc., Boston. It was presented at the ABA's corporate banking conference in March.

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Correspondent Banking *(Continued)*

business to the Fed.

"We are just as competitive and will stay that way," he vows. "We use the Fed for items we can get better collection on and on items we can clear cheaper than with our correspondents. All figures I have seen show the Fed's business has decreased throughout the country."

"We are attracting considerable check-clearing volume away from our other competitors and from the Fed," says Donald B. Jeffery, first vice president, National Bank of Detroit. "We feel we have better pricing, better cutoff times and better availability than the Fed. We are busy setting up direct sendings to bypass the Fed to hold down our invoice there and, therefore, keep our prices lower than the Fed."

Mr. Jeffery says it bothers many correspondent bankers that the principal competitor in today's environment turns out to be the banks' own regulator, but he believes NBD is more than holding its own and, in fact, is attracting additional business.

According to Herbert L. Doughty, assistant vice president, Commercial National, Shreveport, La., the emphasis the Fed has placed on check processing has not affected his shop, due mainly to his bank's geographic location. He points out it is not convenient or cost justified for banks for which Commercial National does check processing (cash letters) to send such items directly to the Fed. Thus, he continues, his bank continues to emphasize its check-processing services.

Two Kansas bankers also reported no loss of business to the Fed. In the case of one of the banks, the opposite is true. That banker says that in Kansas, most correspondents have re-routed their checking volume around the Fed the last two years because of the latter's competitive posture. However, he adds, this tide is turning because the Fed again is changing its attitude and wants to be more cooperative with correspondent banks, especially with later deadlines for one-day credit. This banker maintains his bank has not lost business to the Fed; in fact, it actually has gained volume in item processing during the last two years.

The other Kansas banker says his bank hasn't lost any customers to the Fed, primarily because of its direct-sending program on southwest Kansas banks. Its volume of cash-letter business has almost doubled in the past two years. He attributes this to excellent service at a fair price.

"Niche Marketing." As pointed out in a correspondent-banking study done for the ABA by Peter Merrill Associates, Inc., Boston, most large banks are moving toward a niche approach, either regional or national.

This era for the correspondent-banking business, says J. Max Smith, vice president, Citizens Fidelity, Louisville, is influenced by several factors that, heretofore, had been nonexistent:

1. Increased Fed competition.

2. Deregulation of the industry.

3. Increased competition from inside the industry.

4. Increased availability of affordable high technology to respondents.

For instance, First National, Chicago, started a community banking division a few years ago, says Thomas M. King, vice president and head of that division. Its staff is composed of experienced correspondent-banking officers who have expertise in non-credit and general banking. These officers work exclusively with community banks that have under $200 million in assets and that are looking for retail-banking services rather than for credit services. First of Chicago's Midwest group handles credit-related services.

The bulk of accounts are in the community banking division. Mr. King calls it "one-stop banking" because any respondent who calls in for help can get it from anyone in the division. There's no "I'll have someone call you back about this matter" since all staff members can handle any request. Mr. King points out that the average length of service in the community banking division is 29 years.

The division offers six community-banking seminars for CEOs each spring in Illinois, Iowa, Indiana, Michigan and Wisconsin. About 75 CEOs attend each seminar, which is designed specifically for community bankers' interests.

Bank of the Southwest, Houston, is in the process of offering asset/liability management to small banks for a fee. The bank has increased its effort to obtain S&L check clearings, in addition to setting up a cash-management service for correspondents to provide quicker availability of funds.

A Louisville bank has significantly expanded its Treasury operations, i.e., security sales to correspondents, regional-lending efforts, micro-computer sales, card-interchange system and repricing of many current services, including check processing.

Fourth of Wichita has introduced several new correspondent services during the past year. They include check-guarantee/on-line credit-card-authorization services, sophisticated asset/liability-management software/consulting services and international services, including documentary collections, letters of credit and foreign exchange.

At Citizens Fidelity, Louisville, four new services were developed during the past year: 1. Improved and better-priced data processing. 2. Micro-computer educational courses. 3. New investment alternatives for commercial banks/trust departments. 4. Brokerage services.

"While these services have filled a void in the marketplace," says J. Max Smith, "the one service for which we still get the greatest demand is loan participations."

Various consulting services are offered by First National, Louisville. Most important of these services, says Robert E. Aldridge, senior vice president/director, correspondent banking, are the educational schools the bank provides for a fee: 1. Credit analysis. 2. Loan review. 3. Problem-loan workshop. 4. Agricultural lending. 5. Professional sales. In addition, these services are available from First of Louisville: officer-call program, personnel administration and franchising of schools.

First of Louisville has dropped two products — data processing and debit-card interchange. Both were non-profitable and were not much in demand by respondents, according to Mr. Aldridge.

He says respondents have begun to ask for help in micro-computer processing/software, but the bank has not been able to offer these services principally because of a lack of available expertise to devote to this effort for respondents. Mr. Aldridge believes future products and services will be independent analyses for acquisitions/mergers, third-party loan review and analysis services/data-processing consulting.

Chase Manhattan reports that respondents have begun to request these services: downstream participations and discount brokerage for correspondent consumers.

The bank foresees offering these services in the future: mutual funds/term federal funds/asset pools; investment-advisory services; insurance services such as reinsurance and retail-insurance products for respondents; money-management/financial-planning services; and reporting-systems enhancements.

Chase Manhattan has dropped foreign drafts because of nonprofitability or lack of demand by respondents.

A Missouri bank has begun offering its respondents trust, foreign exchange and international-trade services. This bank doesn't refer to these services as filling its niche. Rather, it's doing a better job of cross-selling services available through other departments in the bank.

At Louisiana National, Baton Rouge, new services offered are: 1. Discount brokerage. 2. Precious metals. 3. Turnkey in-house data processing. 4. Seminars on personal management, security, bankruptcy, credit and teller training.

American National of Chicago's niche, says Lad. Kavsnicka Jr., vice president, is to serve smaller banks (under $100 million), where the bank concentrates on relationship banking rather than on selling a commodity. American National is in the midst of looking at the kinds of services it can add. It is working specifically on real-time-balance reporting.

Third National, Nashville, is trying to determine what its niche should be. It still is offering traditional services to its correspondents and is working toward determining what services are needed in the marketplace that can be offered on a fee basis.

A Kansas bank provides just the basic services. With the help of its data center, this bank has developed a balance-reporting system, which allows banks to monitor their balances and charges on a daily basis from their own cathode-ray tubes. Banks using this service must be clients of the bank's data center.

According to this bank, most banks want to use micros for loan processing, for instance, installment loans, to do all their documentation work. Asset/liability management is an important issue for southwestern Kansas bankers, says this bank, and its data center could have a program on-line later this year.

Another Kansas bank says correspondent banks are finding their niches by specializing within traditional services, rather than by developing new ones. Although new services are important, it continues, correspondent banking continues to revolve around traditional services reshaped for current conditions. Examples are more innovative check-processing procedures and an easy and flexible way to pass through reserves to the bank's correspondents.

A spokesman for this bank says that to his knowledge, his bank has been able to provide any service requested by its respondents. He believes services respondents will ask for in the future are those provided in the past with innovations to match changing conditions. He generally has found new "services" tend to be fads that come and go, with little staying power. Respondents, he adds, want better "service" more than better or more "services."

Bart J. Solon of Springfield (Ill.) Marine says that while his bank still offers traditional correspondent products/services, it continually looks for better ways of serving its financial institutions' clientele. For the past few years, Springfield Marine has offered a brokerage-service product, which has been well received. It also is beginning to offer more educational services to its financial institutions' clientele.

A Chicago banker maintains respondent banks need information services in various forms, and his bank is considering developing several investment programs for its respondents. These programs may dovetail with the bank's bond-department services in some combination. Faster information processing for safekeeping products also is being considered.

Another Illinois bank continually looks for improvements in check-clearing points to improve availability. Through its HC, it now clears checks through clearinghouses in member-bank cities.

Many banks, a spokesman for this bank points out, are asking for on-line-processing services, and he foresees banks getting more direct-inquiry information from mainframes through their micro-computers.

John Reynolds of Manufacturers Hanover reiterated his earlier statement that two key variables that underpin new products/strategies are the industry's profit squeeze and continuing deregulation.

On the former, he continues, annual non-interest expense has doubled over the last 10 years, and this, in turn, demands more cost-effective methods of relationship administration. MHT is aggressively developing customer terminal-based computer telecommunications systems as a way of offsetting administrative and product-delivery expenses. The bank also foresees these technological advances serving as the basis for constructing new-product offerings, especially in the efficient movement and investment of funds.

Development of interactive-computer systems also gives MHT capability to present a comprehensive investment program to correspondents on a nationwide basis. More diverse and higher-yielding investment instruments are essential for banks to offset higher interest expenses being incurred with the phaseout of Regulation Q, says Mr. Reynolds.

What services has MHT dropped? All correspondent services and market segments are under constant scrutiny to ensure that MHT is receiving an adequate return. As a result of ongoing

"The correspondent-banking business is going great. I think the reason some banks have quit or slowed down is because they stopped serving their customers' needs or stopped giving good service. It is a service business, and when we quit serving our customers' needs, they will look to someone else for their needs." — *Troy Philley, senior vice president, cash management, InterFirst Bank Austin (Tex.)*

Correspondent Banking *(Continued)*

analysis, the bank has limited sharply new-product investment in cash letters and other check-based services the past two years. In addition, marketing of advisory services has been curtailed to selected correspondent segments. These actions, Mr. Reynolds points out, represent a gradual de-emphasis of paper-based products as part of a longer-term strategic shift by MHT to serve correspondent markets with electronic-based products.

InterFirst Austin has developed cash-management products its respondents can offer their customers.

First of Chicago hasn't dropped any services because of nonprofitability or lack of demand. Instead, says Thomas King, the bank has priced all its services profitably.

"Services of the future," says Mr. King, "will center around electronic linkage and make it unnecessary for a correspondent to consider distance when deciding whom to do business with. It is becoming a small world."

Earlier this year, Millikin of Decatur, Ill., introduced a regional clearinghouse in conjunction with some of the larger banks in Peoria, Bloomington, Springfield and Urbana. L. Dean Clausen says he believes this regional clearinghouse will allow his bank to offer to its respondents an attractively priced clearings option. He also believes the price per item and availability schedule afforded respondents not only will stabilize Millikin's business, but provide it with an entry into many banks in its area for increased check-processing business.

The only service Millikin has stopped offering aggressively has been safekeeping. The decision to downplay safekeeping was not predicated on profitability, but rather on changes in handling securities and on the bank's geographic location.

Mr. Clausen sees the biggest area of inquiry, at this point, to be cash-management services. Although Millikin has no formal package to market to its respondents, he feels this is an important future revenue source, and his bank certainly will be offering products specifically designed to meet the needs of its customer banks and their small and medium-sized corporate customers.

Thomas Page of Fourth of Wichita believes one of the most promising services his bank could offer respondent banks in the future would be ongoing educational and consulting services with regard to specialized products that will become more popular in the future.

A Missouri bank offers a special asset/liability software package developed by Littlewood, Shain & Co., Wayne, Pa.

Third National, Nashville, is determining what new services to offer. Sonny Johnson believes better management reporting is going to be a must for all CEOs. Other services he feels will be needed are loan-documentation training, training in how to properly set up and maintain credit files and training in the loan-review/administration area. Smaller banks, he points out, need help in all these areas, and, later this year, Third National may decide to develop training courses on a fee basis.

National Bank of Detroit has, for some time, been conducting many workshops, conferences and clinics on such subjects as commercial-loan documentation, individual retirement accounts, safe deposit, asset/liability management, audit, etc. In addition, NBD is selling discount-brokerage services and setting up a new automatic-teller-machine network in Michigan called Network One. The network, in effect, is CIRRUS, plus Payment Line. This is a method of paying bills by phone with a long-range view toward video banking.

New services developed by Chase Manhattan in the past months for respondent banks are: 1. CIMMA — Chase Institutional Money-Market Account (an FDIC-insured money-market investment for bank trust departments). 2. Chase Wholesale Discount Brokerage (discount-brokerage services for bank trust departments). 3. BankRoll II — a bank-HC analysis system. 4. Descriptive demand-deposit-account statements. 5. Audio Balance/Cash Letter Reporter (a voice-simulated telephone-reporting system for customer balances or cash-letter-availability information).

A Kentucky bank has dropped no significant services; it merely has repriced them. The only one dropped is a time-sharing asset/liability service, which has been replaced by micro-computer software.

Generally speaking, according to this bank, respondents will want more consultant services, such as asset/liability planning, employee compensation, etc., which can be priced independently of balances.

John James of C&S, Atlanta, believes there is a great opportunity to provide services in the financial-advisory/consulting area, and his bank also is taking a hard look at supporting micro-computer processing.

A service dropped by a Missouri bank is passthrough reserve accounts.

Fee Income. Is fee income emerging as an important source of correspondent-banking revenue? Is it taking the place of compensating balances? Manufacturers Hanover, says John Reynolds, is interested in developing fee income not as a substitute for balance compensation, but rather as a complement. Fee charges are considered where the form of compensation is particularly apt; e.g., an analytical study performed for a correspondent resulting in a bill of perhaps $5,000. In this instance, managing balance compensation for a charge this size is unwieldy, and payment by fee is more efficient both for the respondent and MHT.

Contrary to the experience of many, Mr. Reynolds continues, MHT's due-from-correspondent balances have grown substantially over the last two years. The bank prefers balance compensation, and its ability to run counter to an industry tide, Mr. Reynolds believes, is due to a conscious nurturing of correspondent relationships.

As a percent of overall revenues, says Mr. Reynolds, MHT's fees have been less than 5% in 1981, 1982 and 1983.

Millikin of Decatur has not found that its respondents look favorably on direct fees for any services rendered, but remain tied to the idea of using compensating balances in payment of services.

Over the past couple of years, a Chicago bank has developed larger fee income, which has been generated from various international transactions, swap transactions and, as such, a combination of non-credit/credit services. Compensating balances continue to be significant to this bank because it has had a significant share of the correspondent market and historically has been compensated through balances.

Another Chicago bank has stressed a desire to develop more fee income. This has come in the form of corporate-service fees rather than non-credit-service fees. The bank expects this to increase in the future from approximately 20% of the bank's income at this time.

InterFirst Bank Austin's Troy Philley says fee income is popular when

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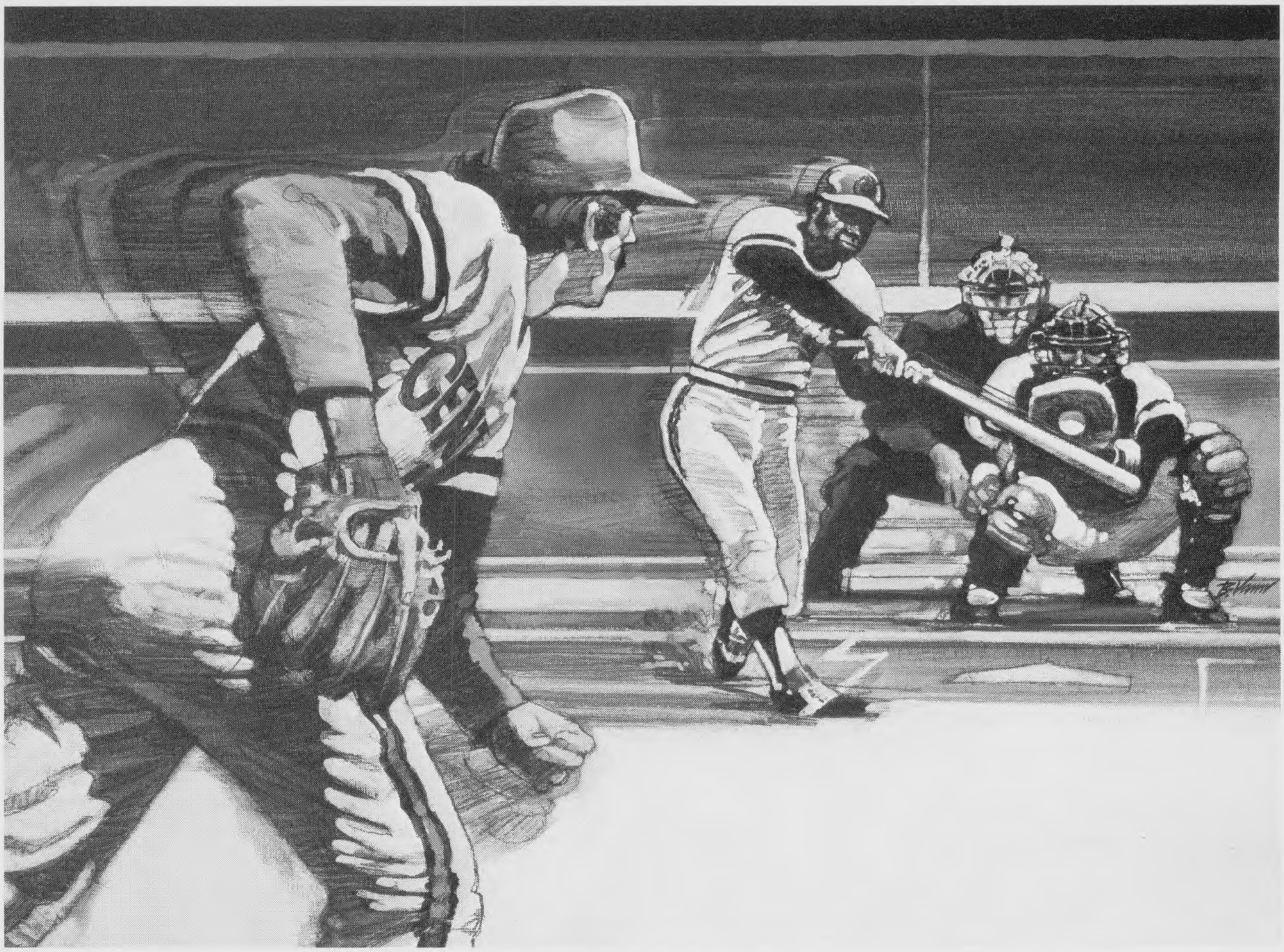

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the credit rate on the analysis is high. The bank collects fees from only two banks out of 227.

Commercial National of Shreveport's correspondent department began charging fees in the last quarter of 1982 to replace income lost from compensating balances. For 1982, the percentage of fees generated was nominal, maybe 2% to 3%, says Herbert Doughty. By 1983, the percentage of fees jumped to approximately 15% and, in 1984, the percentage is up to 25% to 30%.

The bank also is analyzing the possibility of paying fees instead of compensating balances to its upstream correspondents in 1985.

Bank of the Southwest of Houston's fees doubled in 1983 over 1982, and the bank added more than $350,000 to the bottom line in 1983.

Citizens of Decatur collects no direct fee for correspondent services from respondent banks. However, they pay Citizens' data processing division on a direct basis.

Fee income, says a spokesman for a Kansas bank, certainly has become more attractive to many of its respondents over the last few years. It's difficult to guess which percentage of its department's income is generated by fees versus balances, says the spokesman. He guesses that fees represent 10% of service income outside of interest income in 1983 and 5% in 1982. The bank gives its respondents a choice of paying for services by balances or fees, and most still pay with compensating balances.

Fee income at American National, Chicago, has increased slightly, but little increase is noted in the correspondent bank department.

At a Missouri bank, some check-processing fees will be levied in the near future, but the bank sees fees as still negligible. This bank, however, is service charging accounts with deficient balances.

Fourth National, Wichita, calculates hard-dollar-fee income as a percentage of total income for the correspondent bank department because the comparison of hard-dollar income and analysis income or income generated from compensating balances is not an accurate comparison, says Thomas Page. However, the level of hard-dollar-fee income generated by his department has increased almost 50% in the last year. Most of this income has come from sources that, in prior years, would have maintained compensating balances.

Fee income at a Missouri bank was negligible in 1981-82 and 2%-3% of total income in 1983.

Louisiana National, Baton Rouge, reports fee-generated income compared to total income was 6.6% in 1981; 7.4% in 1982 and 8.4% in 1983.

National Bank of Detroit continues to increase its fee income each month and has taken the position that banks either can compensate NBD by demand balances or by fee income.

Chase Manhattan reports the percentage of fees generated by the correspondent bank department compared to overall income for the department is as follows: 1981 — 4.7%; 1982 — 9.5%; and 1983 — 13.2%. — **Rosemary McKelvey, editor.**

Multi-Bank HCs OK'd in Ky., La.; Orderly Merger Activity Expected

MULTI-BANK holding-company enabling legislation has cleared the legislatures in both Kentucky and Louisiana, and an orderly transition is expected in both states.

Opposition to multi-bank HCs has been strong in both states, but most independent bankers (the principal opponents) state they can live with the new laws.

The Kentucky legislature passed enabling legislation in March, with an effective date of July 15. Louisiana's law was passed by the House in June, following earlier approval by the Senate, and was on the desk of Governor Edwin Edwards for signing as of this writing. The legislation takes effect January 1, 1985.

The Kentucky bill permits multi-bank HCs in the state for the first time and limits acquisitions to three per year for the first five years. Any bank chartered for less than five years is ineligible for acquisition. No HC can control more than 15% of the deposits in the state. The bill permits immediate reciprocity with contiguous states and provides for reciprocity on a nationwide basis after two years. None of the contiguous states has indicated it will pass reciprocity legislation in the near future.

Louisiana's bill authorizes multi-bank HCs, but imposes no cap on deposit concentration. It carries a five-year de novo clause and restricts multi-parish acquisitions to one branch per year for five years, up to a maximum of four acquisitions. Multi-parish branching is prohibited. Tender offers must be made on an equal basis to all stockholders to avoid discrimination against minority shareholders.

As of this writing, there has been little activity in Kentucky and a lot of speculation in Louisiana. First Ashland Corp., which controls First Bank & Trust, Ashland, Ky., has announced a proposed merger agreement with Pikeville National Corp., which controls First National, Pikeville. First Guaranty Bank, Martin, is expected to be included in the transaction. According to P. J. Wonn III, president, First Bank, the combined assets of the three banks will be $550 million.

Willis Moremen, executive vice president, Kentucky Bankers Association, predicts no great amount of activity from Kentucky banks for awhile. "It's going to be a gradual thing," he says.

In Louisiana, a takeover hunt is said to be taking place, but no announcements of proposed mergers or acquisitions have surfaced.

Passage of enabling legislation culminates a 12-year effort on the part of the state's largest banks to convince the legislature that multi-bank HCs will be beneficial to the state. New Governor Edwards favors the change.

The bill was called "one of the most wide-open multibank laws" by Richard K. Easterly, president, Louisiana Independent Association of Banks, which opposed passage. He is critical of the lack of deposit and acquisition limits in the bill.

"It's a relatively clean deal, with few onerous provisions," says Ian Arnof, president/CEO, First Commerce Corp., New Orleans.

As is the case in Kentucky, most Louisiana bankers don't expect the advent of multi-bank HCs to have a large immediate impact on banking in the state. — **Jim Fabian, senior editor.**

Free Dinners Draw 1,000 Entries

Devon Bank, Chicago, held a drawing recently for free dinners at area restaurants in conjunction with Devon-Northtown Business Association's annual summer sidewalk sale. Nearly 1,000 entries were received. Irving Loundy (r.), v.p./business development, congratulates James H. Fackler and Doralee Shannon, both of Chicago, who won two of 10 dinners awarded.

Respondent Banks Rate Correspondents On Quantity, Quality of Services

ARE RESPONDENT banks getting all the services they need and desire from their correspondents? In most cases they are, yet the quality of those services isn't always the best.

This is the consensus of a group of community bankers contacted by MID-CONTINENT BANKER (MCB) recently. These bankers were asked a series of questions in an attempt to determine how well correspondent banks are serving their respondents.

Participating respondent banks told MCB that they use from one to 16 correspondents. Some respondents parcel out their business among correspondents, using one for discount brokerage and bond/investment activities, for instance, and another for check clearing.

One banker who admits to maintaining correspondent relationships with six banks designates one of the six as his institution's primary correspondent. Another of the accounts is maintained solely because "we have used its bond portfolio for many years." The other four accounts are meaningless, the banker says, but he has been hesitant to close them because of the long-time relationships they represent.

Another community banker states that his bank is getting all the services it needs, but "at times we would like to buy more loans from upstream banks."

Only one responding banker told MCB there is a service he would like to get from his institution's primary correspondent — asset-based lending.

Respondent bankers were asked to rate the responsiveness of their correspondents to requests for assistance in solving various kinds of problems.

Responses ranged from adequate to excellent. A Kentucky banker replied as follows: "If our request is perceived to be in the best interest of the correspondent, we get good response. If not, the response is slow."

Another banker rated the services of his bank's correspondents as "better than average — except for loan participations."

Response was mixed when bankers were asked to rate their correspondents in the area of cooperating fully on overlines rather than soliciting such loans directly.

Several bankers said they appreciate the fact that correspondent banks don't solicit loans from customers of respondent banks.

An Illinois banker had this to say: "This is the weakest point in correspondent banking. Most correspondents are unwilling to help to any great degree on overlines. Most of them talk a good game on this point but only a few perform well. It seems to be the general consensus among correspondent bankers that country banks don't know how to evaluate credit and there are few good credit risks outside metropolitan areas. This basically is untrue. Big banks are as prone — or more prone — than we are to make wrong credit judgments."

Quantity of services is adequate, but quality sometimes leaves something to be desired, say respondent bankers about services received from correspondent banks.

The Kentucky banker says his bank's correspondents neither cooperate fully on overlines nor do they solicit loans directly from customers of respondents. "The major correspondent participates in overlines only if such participation is in the best interest of the correspondent."

Another banker rates correspondents as providing "pretty good" cooperation on overlines, but not much help in selling loans to respondents.

Bankers were asked if they receive cash-letter services from their correspondents or from the Fed. More than half use their correspondents, while about 20% use the Fed and about 25% use both sources.

One banker says his bank receives cash-letter service from the Fed through a correspondent bank and a correspondent bank cash letter. Another says his bank's cash letters are received from the Fed, but are intercepted at the bank's service center, which happens to be a wholly owned subsidiary of the bank's primary correspondent.

Banks that utilize both the Fed and correspondents for cash letters say the percentage of the service secured from each source varies from 90% correspondent and 10% Fed to 50% from each.

An Oklahoma banker states that his bank has a 60%-40% cash-letter service, with the correspondent being on the high end. "Previously, all service was with the Fed until our correspondent started an exchange-intercept program and quit working 100% with the Fed."

Respondent bankers were asked to predict the direction of correspondent banking in the future in light of continuing deregulation.

Responses included the following:

- "Correspondent banking, like all other phases of banking, appears to be heading toward the philosophy of pricing services based on cost and making each service pay its own way. The days of offering services as 'loss leaders' and making the required profit elsewhere have gone by the wayside."
- "I don't see that correspondent bank relationships should be any different in the light of deregulation than they have been in the past. It's simply whether or not they want to offer the expanded services permitted under deregulation. I think that some regional banks are preoccupied in trying to position themselves for intrastate banking and thereby have neglected their correspondent-bank relationships."
- "Correspondent banking is headed for a more challenging future. It will need to become more 'full service,' in that more country banks are developing their own in-house data systems supported by the new generation of personal computers. Country banks are now able to generate support

(Continued on page 40)

State Association Conventions

Continental Bank, Federal Deficit Are Among Topics Spotlighted

THE Continental Bank of Chicago situation, recommendations made by the Bush Task Force on Regulation of Financial Services and possible banking legislation were among topics taken up at state-bankers-association meetings in the Mid-Continent area last month. Also discussed were the economy, the U. S. budget deficit and marketing strategy for banks. Two past administrations were represented at two of the conventions — Former President Gerald Ford at Illinois and Jody Powell, Carter Administration press secretary, at Wisconsin.

Here are reports on each of those conventions.

Illinois

WHAT will Springfield do? This was the question that appeared to be on most minds last month as Illinois bankers met in Peoria for their annual convention.

Springfield — site of the state's legislature — had before it a bill that would decide whether an out-of-state bank might be permitted to acquire Chicago's troubled Continental Bank. Current law says that only an Illinois or foreign bank could acquire Continental. Only First National of Chicago had expressed an interest, but then backed away. A foreign bank? None seemed to be on the horizon.

But Illinois bankers speculated that their legislature would accommodate Continental and it did, on the second day of the convention. The Illinois State Senate passed permissive legislation that would allow an out-of-state buyer, but that permission was limited to a one-year period ending July 1, 1985. The bill would affect any Illinois bank of $1-billion size or larger that had liquidity problems. Further, any takeover would be limited to "friendly" partners approved by top officials of the Illinois bank.

The bill also gave an instate bank 14 days in which to come up with a counter bid acceptable to the troubled bank, following an out-of-state offer. The instate bid need not be accepted.

With the State Senate approving the bill 51 to four, it was agreed that the Illinois House surely would pass the measure some two weeks later. Thus, the Illinois legislature would have done its job. (The new law was signed by Governor James Thompson on June 26.) However, the search for a potential buyer would continue.

Meanwhile — back at the convention — one of the speakers discussed

IBA President Charles C. Wilson (c.) with convention speaker Dr. Norman Vincent Peale (l.) and IBA Vice President Kenneth Skopec.

some of the legislative changes that could come before Congress as a result of studies done by the Bush Task Force on Regulation of Financial Services. Richard C. Breeden, director of that work, focused on the insurance problem created when the FDIC "guaranteed" all deposits of Continental. Any reorganization affecting the FDIC, he said, now would have to consider how much of a bank's deposits would be insured, for big banks and/or little banks and at what price. The riskiest bank in the nation now pays the same insurance rate as the safest, and that isn't right, he observed.

The Bush Group will recommend, he said, that the FDIC be removed from day-to-day supervision of a bank and that it accept examination reports from the Comptroller, the Fed or state agencies that have been certified. The group would recommend, he said, that the FDIC examine those banks that are in trouble and that the agency be given sufficient powers for corrective actions. But as a regulator, the FDIC, he said, could be removed from examination procedures.

Mr. Breeden acknowledged that the mood in Congress had shifted since Continental's problems had made national headlines. Congressmen are now saying, according to Mr. Breeden, that banks cannot handle their own business and so how can it give banks new powers for insurance, securities, etc. This will be difficult to combat, Mr. Breeden admitted, but where is the additional risk, he asked, if banks sell insurance or offer discount-brokerage service. Certainly, there is risk involved, he agreed, if banks were to *underwrite* insurance or securities. But the present mood in Congress, he said, is to move slowly on any new powers for banks.

Another speaker, Biff Motley, who heads a Chicago marketing firm, expressed the same belief — that Congress would move slowly on allowing banks to offer new products. But the "Genie is out of the bottle," he said, and Congress will only delay, but not stop, banks from offering new products.

What strategy should banks adopt, he asked? Mr. Motley believes that banks, dominate in their own markets, will act as distributors of "products" offered by insurance companies, investment firms and others. It will be less costly, he said, for banks to sell products and services that have been tested and "debugged" by their originators. Banks literally "own their local markets," he said, and can be successful distributors as opposed to originators.

How about the economy and interest rates in the months ahead? Robert G. Dederick, executive vice

IBA President Charles C. Wilson (c.) with convention speakers Dr. Don Paarlberg (l.) and ABA President Robert C. Brenton, president, Brenton Banks, Inc., Des Moines, Ia. Dr. Paarlberg is professor emeritus, Purdue University.

president and economist, Northern Trust, Chicago, expressed the belief that the economy will cool down somewhat from its current 6½% annual rate to 4% over the next four quarters. The expansion, he said, is a great deal more robust than most observers believe. Inflation? Somewhat worse. Perhaps in the 5% to 6% range in the next six months.

Interest rates? A gradual uptrend to a peak of 15% by mid-1985. Mr. Dederick also disagreed with the theory advanced by the Treasury that the federal deficit has no effect on interest rates.

The problem of the budget deficits, he said, would not be handled until 1985. President Ronald Reagan, if reelected, will not, he said, compromise on taxes. He will "hang tough," and will seek spending cuts before compromising on tax increases.

Former President Gerald R. Ford, speaking to a press conference before his convention appearance, expressed the belief that Congress and the Administration would agree on both tax increases and spending cuts in 1985. Both entitlements and defense spending will be cut, he said, and a tax increase likely would take the form of a value-added tax.

Would he work for President Reagan's reelection? Yes, said the former President. He expects a close election.

The Illinois Bankers Association did not elect officers at this year's convention. Under new procedures, officers are installed in January and serve for a calendar year. This year's president and presiding at the convention was Charles C. Wilson, chairman/CEO, First National, Rock Island. Other officers: vice president, Kenneth Skopec, president, Mid-City National, Chicago; secretary, James B. Lund, president, Matteson-Richton Bank, Matteson; and treasurer, Donald R. Lovett, chairman/president, Dixon National.

Mr. Wilson was named to the ABA governing council along with two others: Lyle P. Campbell, chairman, Peotone Bank; and R. N. Taake Jr., chairman/president, First Bank, Cairo. • •

Minnesota

"FOCUSING on Our Strengths" was the theme of the 94th annual convention of the Minnesota Bankers Association June 11-13 in St. Paul. Approximately 1,500 bankers and their spouses were in attendance.

"A merger for Continental Illinois Corp. may have been possible after the bank holding company's most recent funding crisis developed, but that approach would have been difficult and costly," FDIC Chairman William Isaac told the convention.

"We could have tried to do a merger in a hurry, but that would have been costly and ill-conceived," Mr. Isaac continued.

"That's also assuming we could have found someone right away to merge with Continental. This way, we will have a more orderly solution."

Mr. Isaac pointed out that a permanent solution soon will be found, but refused to give any more details or a definite time frame.

"Although the bank has more than $2.3 billion in equity, it could not meet the demands of depositors who rushed to withdraw their money from the ailing bank." Mr. Isaac said.

The FDIC injected $1.5 billion into the bank to support it while a permanent solution is worked out. Mr. Isaac indicated he wasn't sure how much of that sum the FDIC eventually will recover, but he said it's possible the agency will not lose a dollar.

The rescue plan included a guarantee by the FDIC on insuring all Continental depositors, even those with more than $100,000. Mr. Isaac said the guarantee was necessary.

"The action prevented an extensive disruption to the banking industry, including about 2,400 banks that had more than $3 billion in uninsured deposits at the bank," he continued. "The situation could have precipitated hundreds of bank failures.

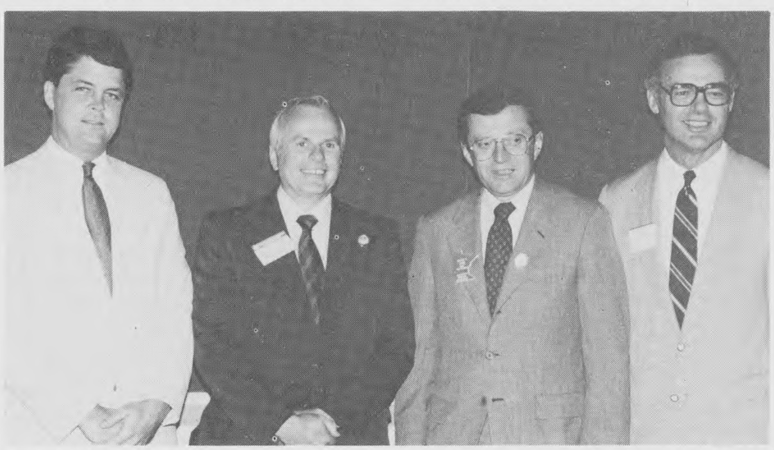
"If Continental had been closed and its assets liquidated, the bank's uninsured depositors would have had to wait for years to recover their money through bankruptcy proceedings," Mr. Isaac pointed out.

To stem criticism that the FDIC has treated Continental differently from other banks in trouble, he pointed out the FDIC has promised to cover all deposits three times in the recent past and not just at large banks. The first was in 1981 at Greenwich Mutual Savings Bank in New York City. The second was United Southern Bank in Nashville, and the third was last fall at First National, Midland, Tex.

"I agree there is a problem. I do not like the disparity in handling banks," Mr. Isaac said. "A more equitable solution in the future would be a policy of risk-based premiums charged to banks," he said.

Senator Jake Garn (R., Utah), chairman, Senate Banking, Housing and Urban Affairs Committee, characterized the bill coming up through the House on banking as backward-looking legislation that will cause divestiture. He described his bill as much broader and conceded that the Continental Illinois problem was "like a knife between the shoulder blades" that will make it difficult to produce another bill this year. He indicated that opponents of the legislation will exploit the Continental Illinois problem.

Senator Rudy Boschwitz (R. Minn.)



New Minnesota officers are (l. to r.): Roy W. Terwilliger, 2nd v.p.; Clinton D. Kurtz, 1st v.p.; Galen T. Pate, pres.; and Scott Jones, treas.

FDIC Ch. William Isaac gestures while speaking to audience at Minnesota Bankers Association's annual convention.

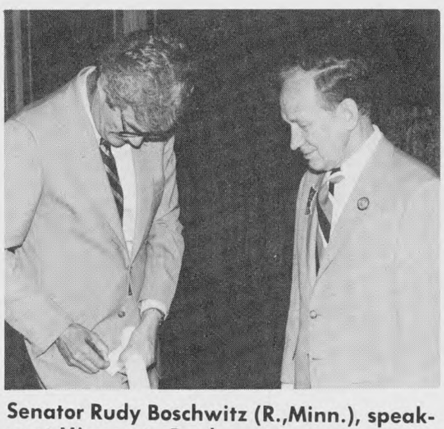
told the convention, "We are proceeding in the right direction on reduction of the deficit.

"We have passed in the House and Senate a down payment on the deficit. The amazing thing is that it was done within four or five months of the election."

He predicted that after the election, Congress will do the rest of the job.

"In my first year on the Budget Committee, we dealt with the fiscal 1980 budget. Spending grew at 18% over that of 1979; in 1981, spending grew at 14% over that of 1980; in 1982, it grew at 11% over that of 1981. In 1983, growth in budget spending continued to decline, and spending increases over the year before were 9%. Unfortunately, government revenues declined by 3%. But in the first six months of fiscal 1984, spending grew at less than 4% — the lowest rate of growth in 15 years — while income grew at 10%. Income now is growing twice as fast as outgo. If this continues, the deficit could look far better than is now projected," Senator Boschwitz said.

Herb Lund, MBA president, described the issue of greatest importance to everyone as the federal budget deficit and damage that deficit spending is doing to the U.S. economy, its citizens and the world economy as well. He called on bankers to take a firm stand on excessive spending and budget deficits and called for an end to deficit spending.



Senator Rudy Boschwitz (R.,Minn.), speaker at Minnesota Bankers Association's convention, jots down note while talking to outgoing MBA Pres. Herbert Lund, pres., Security State, Albert Lea.

An important internal development in the association office is installation of a new computer system with the single objective of serving member banks more efficiently. The association also is continuing the strategic-planning process with a special implementation task force, which has been addressing strategies for the future to position the association to meet changing banker needs as the financial-service industry develops in the future.

Pioneer Club Inductees. Four bankers became members of the MBA's Pioneer Club during the convention in honor of their 50 years in banking.

They are Pat DuBois, First State, Sauk Centre; Oliver Latterell, Citizens State, Kelliher; Eldon Matson, State Bank, Blomkest; and Robert Sprague, Sprague National, Caledonia.

Association Officers. Galen T. Pate, president, Signal Hills State, West St. Paul, was installed as MBA president, succeeding Mr. Lund, who is president, Security State, Albert Lea. New first vice president is Clinton D. Kurtz, president, Citizens State, Norwood; new second vice president is Roy W. Terwilliger, president, Suburban National, Eden Prairie; and new treasurer is Scott Jones, president, Goodhue County National, Red Wing.

Wisconsin

FOR THE banking industry, the deregulatory clock may have come to a halt and — in light of the much-publicized problems of Chicago's Continental Bank — even could be ticking backward, according to some of the speakers at the Wisconsin Bankers Association (WBA) convention in Milwaukee.

William H. Kennedy Jr., ABA chairman and chairman, National Bank of Commerce, Pine Bluff, Ark., lambasted Congress for the "faulty" logic through which some members feel they can legislate "against reality" or in a "piecemeal" fashion with no loss of effectiveness. Some members of Congress feel they must take an incremental approach to financial-industry deregulation while consumers bear the additional cost of the slow pace of change, Mr. Kennedy said. Others in Congress want to turn back the clock with proposed legislation that does nothing to "address the crying need for competitive equity" in the banking industry.

Incoming President's Speech. New WBA President John W. Johnson, president, Bank of Spring Green, noted in his convention address that everyone — including Sears, J. C. Penney, K-Mart and Merrill Lynch — wants to be a banker. "Why do nonbanks say they are just like banks?" Mr. Johnson asked. "Why do savings and loans call themselves banks? Why does everyone want to be a banker?

"Perhaps it's just like the old butter-versus-margarine argument," he said, answering his own question. "Why do the margarine people say it tastes just like butter? Do butter people ever say butter tastes just like margarine? No."

Mr. Johnson said that he agreed with Federal Reserve Chairman Paul Volcker that there is something unique about banks. He cited evidence from a recent Federal Reserve Board of Governors' report to support his faith in a viable future for smaller depository institutions despite the influx of new competitors and a Congress that has yet to give banks the powers they need to compete effectively.

Al Clark, pres., Farmers Exchange Bank, Neshkoro, Wis., is bracketed by two of his bank's inductees into Wisconsin Bankers Association 50-Year Club: Stanley Loshinski (l.), retired, and Clarence A. Rhode (r.), s.v.p. An even dozen bankers were inducted.

Bankers are asking Congress for two things, said Mr. Johnson. They want to close the loophole allowing everyone to call themselves banks without assuming the responsibilities of a bank. Bankers also want the ability to offer new products and services needed to compete with nonbanks that already are well established in the banking business.

Outgoing President's Message. Mr. Johnson's speech was preceded by a speech by his predecessor, W. J. Morrissey, president, Independence Bank, Elkhorn, who said that lawmakers must decide if banks are to be a viable part of the financial-services industry. If the answer is "no," he said, banks don't have much of a future to

New Wisconsin Bankers Association officers for 1984-85 are (from l.): John W. "Jack" Johnson, WBA pres. and pres./CEO, Bank of Spring Green; Dean A. Treptow, WBA v.p. and pres./CEO, Brown Deer Bank; and Richard J. Roesler, WBA treas. and pres./CEO, First Nat'l, Platteville.

forecast.

"But if the answer is 'yes,' we will have a rendezvous with destiny," he said.

"Some of our federal lawmakers want to avoid changing the legislative status quo," he said. "They are wagering that things won't get worse. This could be a very bad wager, for they would lose. The system is going to change, whether they want to recognize it in statute or not. Not being allowed to change will only add to our (banks') disadvantage."

The only good wager federal lawmakers can make is to bet on the future, Mr. Morrissey continued. Calling 1984 a year of decision, he said that lawmakers must take the opportunity to enact the reforms that would grant banks the freedom to compete, to change and to meet customer needs.

1984-85 Officers. In addition to Mr. Johnson, other officers who will serve the WBA during the 1984-85 term are: Vice President Dean A. Treptow, president/CEO, Brown Deer Bank, and Treasurer Richard J. Roesler, president/CEO, First National, Platteville. Mr. Treptow served as WBA treasurer in the 1983-84 term.

50-Year Club Inductees. At a ceremony at the historic, richly decorated Pfister Hotel, the WBA honored and inducted a large contingent of new 50-Year Club members. Among the inductees were Lester E. Bedessem, president, Farmers State, Bangor; Even O. Evenson, Orville P. Omberg and Roy Sundstrom, all retired, National Bank of Commerce, Superior; Howard M. Kiniery, vice president/director, First State, Edgerton; Adolph L. Langefeld, chairman, M&I New Holstein Bank; Stanley Loshinski, former chairman, and Clarence A. Rhode, senior vice president, Farmers Exchange Bank, Neshkoro; Fred S. Rogers, director, First National, Viroqua; Aage Morris Schou, chairman, Strong's Bank, Dodgeville; Eugene J. Steckbauer, director, Firstar Bank Oshkosh; and Milton M. Voelz, chairman, Citizens State, Wittenberg.

Wisbankpac, the political-action arm of the WBA, is shooting for a 50% participation level (up from 40% last year) during the year ahead, according to a report distributed at the convention by Robert C. O'Malley, chairman/CEO/president, United Bank, Madison. This level of participation is admittedly steep in view of last year's 39% increase in participation, Mr. O'Malley said. But the ability to assist candidates early on in the current election year — during which a large number of offices are up for grabs — will require an even more efficient political-action effort, he said.

Other speakers at the convention were:

- Jody Powell, Carter Administration press secretary, who advocated that the press be required to suffer for its mistakes just as people in other professions are. He criticized journalists who do not point out the "rotten apples" in their profession.
- Lawrence A. Kudlow, president, Lawrence Kudlow & Associates, Inc., Washington, D. C., who said that most economic analysts are underestimating the current rate of government pump priming and that the current recovery should extend into 1986. His projections for inflation and interest rates were higher than most economists currently are forecasting, however.
- Sanford Rose, associate editor, *American Banker*, New York City, who explained his theory of duration analysis as a key ingredient of a successful asset/liability program. ● ●

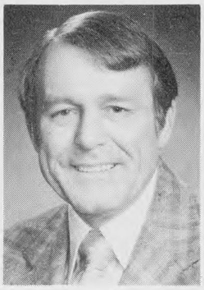
Indiana

A PROPOSED OVERHAUL of Indiana's banking laws was approved last month by directors of the Indiana Bankers Association prior to the start of the IBA convention in Indianapolis. Material on the proposal had been mailed June 1 to IBA members, who were invited to attend an open meeting held before the opening of the convention, whose theme was "Pursuit of Excellence." The proposal, if passed into law in the 1985 Indiana General Assembly, would allow a form of statewide banking and permit banks to cross county lines to open branches. It has two main sections:

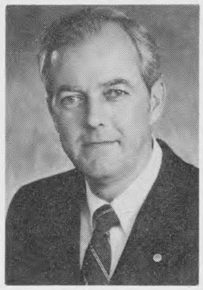
1. *Multi-bank holding companies*. Such firms would be allowed, subject to the following limitations:
   a. Percentage of deposits each HC controls would be based on total deposits as defined by call-report "total deposits."
   b. This percentage would be as follows: 10% September 1, 1985; 11% January 1, 1986; and 12% January 1, 1989.
   c. A bank must have been organized at least five years before being eligible to be acquired or merged or otherwise consolidated.
   d. Percentage limitation would apply to HC acquisitions, mergers or any other form of consolidation.
2. *Branching:*
   a. Banks with $200 million and under would be allowed one branch de novo or by merger or acquisition each year for five years.
   b. Banks $200 million-$400 million would be allowed three total branches de novo or by merger or acquisition — one each two-year period for the first four years and one branch in the fifth year.
   c. Banks over $400 million would be allowed two total branches de novo or by merger or acquisition — one each 2½-year period.

In addition, branching would be

PERRY



HILL



HOWARTH

governed by natural-market boundaries (contiguous counties with a minimum of five counties). For those counties not having five contiguous counties, excess counties must touch contiguous counties.

It was further understood that for a bank acquired by any means, branching rights would be those of the acquiring bank or HC.

The proposal also says — in language recomended by the Independent Bankers Association of Indiana — "During the five-year period, September 1, 1985, through September 1, 1990, any contiguous-county banking in operation at the time of any acquisition or merger by a bank or HC shall be grandfathered, but no new contiguous-county banking by the acquired bank shall be permitted during this period unless the merged and surviving bank or multi-bank HC, as a whole, would otherwise have qualified by size on December 31, 1984."

In addition, branching would be unlimited in contiguous counties, including the five minimum counties, after five years.

Size categories would be determined by call-report deposits as of December 31, 1984.

The proposal also would allow Indiana to pass reciprocity legislation that would allow banks in that state to be acquired by or merge with banks in the four surrounding states if those states pass similar legislation regarding Indiana.

In addition, Indiana banks would be permitted to form "bankers' banks," which would provide funds and services that individual banks, normally small ones, could not obtain as easily on their own. The proposal would allow participants to own larger shares of the bankers' bank than allowed in a proposal advanced by Indiana Governor Robert D. Orr last January, thus making bankers' banks easier to form, according to IBA officials.

Also in the proposal is establishment of a community business credit corporation to provide financing for loans individual banks might term too risky. Its funding, on a voluntary basis, would be promoted among Indiana banks.

Association officials say the proposal has the support of both past supporters and opponents of statewide banking, giving it a good chance for passage in the 1985 Indiana General Assembly.

New Officers. Robert W. Hill, president, National Bank of Greenwood, was elected IBA president. Elected vice president was David H. Howarth, president, Lafayette National. John W. Perry, vice president, finance, Terre Haute First National, was elected treasurer. Mr. Hill succeeds William H. King, chairman, Second National, Richmond. ● ●

New Mexico

AN ESTIMATED 900 bankers from throughout New Mexico and surrounding states were on hand for the 73rd annual convention of the New Mexico Bankers Association in Albuquerque and renewed a tug-o-war with New Mexico Governor Toney Anaya, this time over recommendations of the chief executive's Interest-Rate-Policy Task Force.

Governor Anaya's relationship with state bankers has been blowing hot and cold since the last legislative session, when the Administration went all out in favor of a measure that would have allowed out-of-state banks to conduct banking business in New Mexico.

That measure never got to the floor of either House, but the governor did indicate it would be coming back in the future — possibly at the 60-day session coming up next January.

In his speech to this convention, Governor Anaya outlined recommendations of his special task force, which, he said, could build state coffers to the tune of $5 million, increase competition among banks for state deposits and spur lending activity.

Task-force recommendations would want the state treasurer to set interest rates above the statutory minimum when credit demands and yield spreads suggest a reasonable rate increase.

It also was recommended that state deposits be placed with institutions that offer rates above the statutory minimum. Another recommendation said the State Board of Finance each month should compare rates on state certificates-of-deposit investments to rates on federal securities and money-center banks.

In his closing remarks, Governor Anaya said the state will use deposits as an inducement to foster more lending, saying banks with high loan ratios should be rewarded with state deposits.

As a parting shot, he said his task force soon would address collateral requirements on state deposits, investment of the state severance-tax fund and possibly investment restrictions to prevent discrimination against women and minorities.

Keynote address of the convention was made by New Mexico senior U. S. Senator Pete Domenici, chairman, Senate Budget Committee.

Senator Domenici updated bankers on the progress of Senate and House efforts to cut back the huge U. S. deficit, indicating the problem will be addressed, although somewhat uncertain as to the exact form the cutbacks will take.

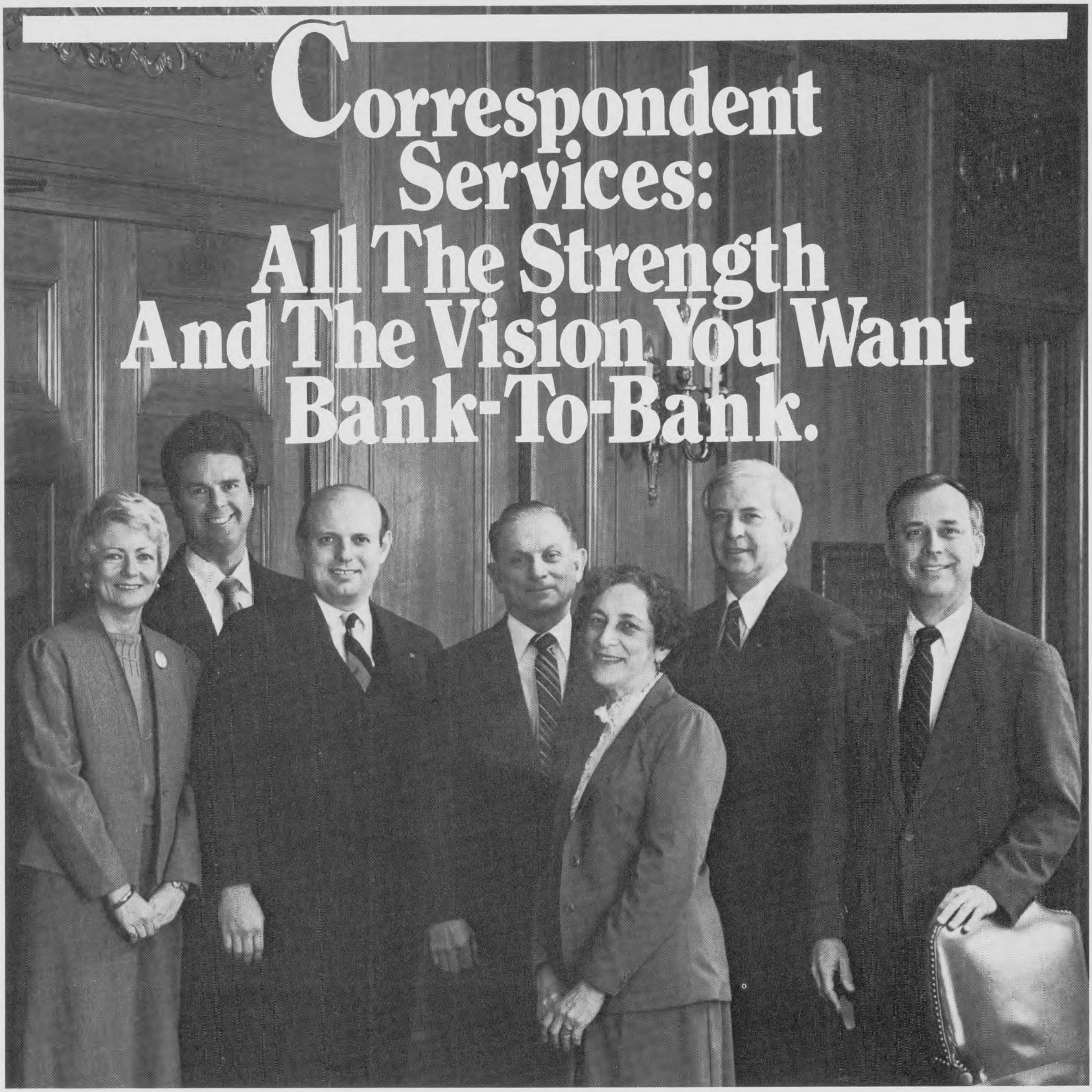
The second general session of the convention also heard from James G. Cairns Jr., ABA president-elect and president, Peoples National of Washington, Seattle.

Mr. Cairns held a press conference immediately following his convention address, and he said he is *not* overly concerned about the size of third-world-nation debits to U. S. banks.

He also said many of the problems of Continental Illinois National, Chicago, could be attributed to unfounded rumors spread by the new electronic

(Continued on page 36)

Sharon Janecka, e.v.p., New Mexico Bankers Association, is pictured with NMBA's newly elected pres., Jack Daniels, ch., Moncor Bank, Hobbs, at association convention.



Pam Delamore, Jim O'Hare, Drew Whitley, Gus Tramonte, Rose Greco, Roger Ayers, and Doug Lore. Bankers whose business is helping your bank grow.

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Our correspondent banking department has twelve staff members, including the seven pictured here. Five of them have more than 20 years of banking experience at First NBC. Three have more than ten years.

This First NBC Correspondent Banking Team will win your confidence with service, know-how, a sure sense of where your bank is going, and the commitment you need to take you there.

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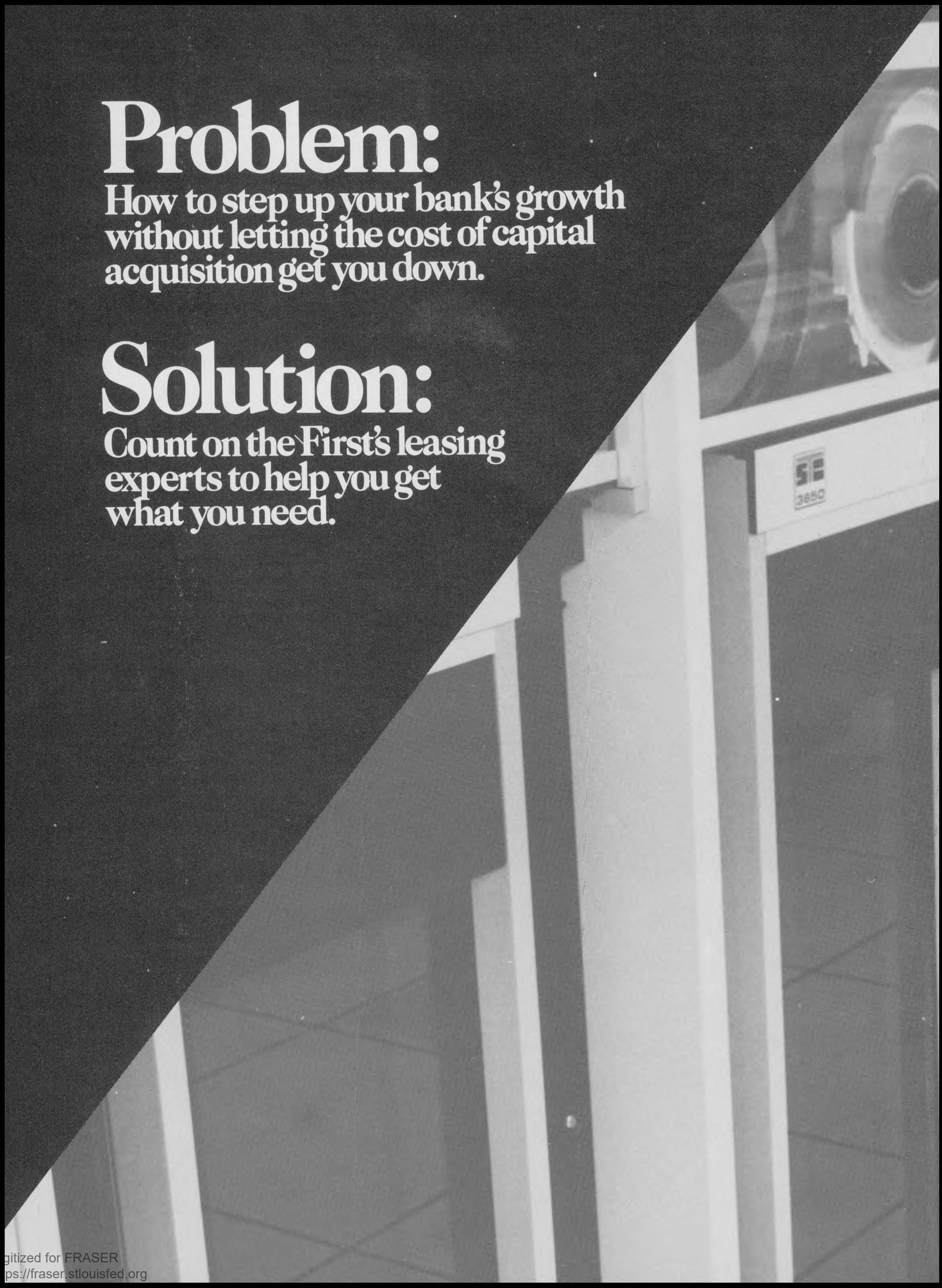
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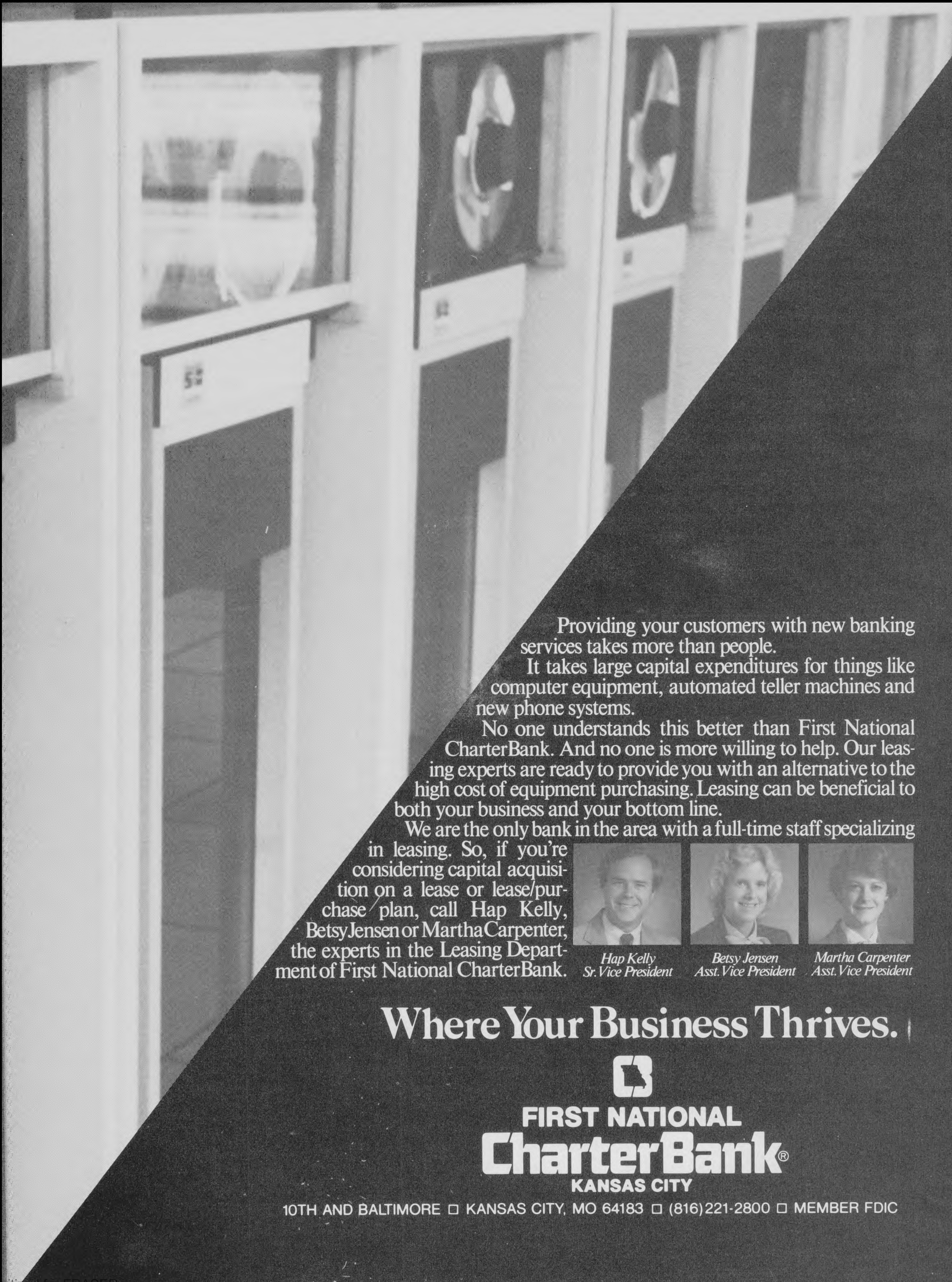
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We are the only bank in the area with a full-time staff specializing in leasing. So, if you're considering capital acquisition on a lease or lease/purchase plan, call Hap Kelly, Betsy Jensen or Martha Carpenter, the experts in the Leasing Department of First National CharterBank.
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NEWS
About Banks & Bankers

ALABAMA

AmSouth in New Orleans

AmSouth Bancorp, Birmingham, opened a wholly owned subsidiary June 4 in New Orleans that will specialize in providing financial services to businesses. The new company, AmSouth of Louisiana, Inc., opened its offices in the 39-story Energy Centre. Robert L. Browning, a 10-year veteran in international banking/commercial lending in the New Orleans area, is president.


LEONARD

Bruce P. Leonard has been promoted to vice president/manager, correspondent banking, Central Bank of the South, Birmingham. He joined the bank in 1976 in its correspondent auditing division. Mr. Leonard received the outstanding correspondent-officer award for 1981 and 1982.

Closed Bank Sold

First Alabama Bank, Anniston, has purchased certain assets and assumed all deposit liabilities of Cherokee County Bank, Centre. The latter bank was closed June 5 by Kenneth R. McCartha, superintendent of banks, and the FDIC was named receiver. Mr. McCartha attributed the closing to the fact that "the bank's capital account was depleted by substantial losses in its loan account."

All offices of Cherokee County Bank opened for business June 7 as branches of First Alabama, Anniston. All Cherokee County Bank depositors were fully protected as a result of the purchase.

Vernon C. Bice has been promoted to vice president, commercial finance department, AmSouth Bank, Birmingham. He joined the bank as a credit analyst in 1979 and became assistant vice president in 1983. In other action, the bank promoted Steven B. Agricola to assistant vice president, bond department, and Barbara F. Rhodes to assistant vice president, personal financial service department. AmSouth Bank last month opened a new branch in the Tinsley Harrison Tower. L. Wayne Moore, vice president/manager, Southside Branch, since 1974, is the new branch's manager.

ARKANSAS

Mickey Freeman has been promoted to senior vice president, Worthen Bank, Little Rock, which he joined in 1975. He is marketing manager responsible for advertising/public relations/market research/marketing planning/sales promotions. He also supervises marketing/public relations for First Arkansas Bankstock Corp., Little Rock, Worthen Bank's parent company. Also promoted at Worthen Bank were: to vice presidents, Patrick Edwards and Charles Lynch; to assistant vice presidents, Thomas Bearden, Holly Eddins and Elizabeth Farris; and to assistant cashier, Terry Dennis.


FREEMAN


McADAMS

Herbert H. McAdams, chairman/CEO, Union National and Union of Arkansas Corp., Little Rock, has received an honorary doctor of laws degree from Arkansas State University, Jonesboro. The honorary doctorate is based on standards of creativity of thought, high personal standards of integrity, contribution to education and society in general and dedication to free inquiry and search for truth. Mr. McAdams is founder and chairman of the board of the Arkansas State University Foundation, Inc., and has been instrumental in acquiring private gifts for the university. In addition to his Little Rock bank posts, Mr. McAdams is chairman/CEO, Citizens Bank and Citizens Bancshares Corp., Jonesboro.

Wayne Harness has joined Little Rock's Pulaski Bank as senior vice president, commercial loan division. He formerly was vice president/manager, specialized lending department, Worthen Bank, Little Rock.

ILLINOIS

Thomas Peters has been named farm manager, Springfield Marine Bank. He formerly was beef herd manager, Shissler Seed Co., Topeka (Ill.). At Springfield Marine, Mr. Peters' primary responsibility is to help manage farms south of the Springfield metropolitan area. The bank has received a national advertising award from *Bank Advertising News*. The award honored the series of three 30-second TV spots featured in Springfield Marine's "We Live up to Your Potential" promotion introduced in August, 1983. The 1984 Golden Eagle Award was given the bank in recognition of its achievement in the area of "television campaigns." The TV ads, depicting a beaver, goat and egret, were cited for honorable mention among more than 500 entries from financial institutions across the country.

Magna Group, Inc., Belleville-based multi-bank HC, has executed a definitive agreement providing for the merger of Central Illinois Banc Shares, Inc., into a wholly owned subsidiary of Magna. Central Illinois Banc Shares is a Springfield-based one-bank HC, which owns Capitol Bank, Springfield.

Cole-Taylor Financial Group, Inc., Chicago-based multi-bank HC, has ac-

quired Ford City Bank. The latter, which has offices in Chicago and Burbank, continues to operate under the Ford City Bank name.

Eugene F. Tatera has joined Devon Bank, Chicago, as vice president, loan department. He formerly was with Park National, Chicago, where he was vice president/manager, real estate department.

Chicago Bank Closed

CHICAGO — Deposit liabilities of Washington National have been assumed by Banco Popular de Puerto Rico. Washington National was closed May 18 by Acting Comptroller of the Currency J. Joe Selby, and the FDIC was named receiver. The failed bank's sole office reopened May 21 as a branch of Banco Popular.

Mr. Selby said Washington National experienced substantial loan and operating losses over the six months preceding its closing, and it was unable to remedy its problems. He added that losses finally exhausted the bank's capital funds, resulting in its insolvency.

INDIANA

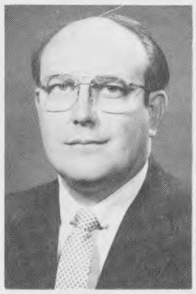
Wayne Bank, Cambridge City, has opened a new branch in Richmond. The structure, which completed the final stage of the Richmond Redevelopment Plan, is located on the southwest corner of the city block now known as Waytru Plaza and is adjacent to the County Court House in downtown Richmond. Exterior walls of the branch building are iron spot face brick, and this material continues into the lobby as flooring material in high-traffic areas. There are drive-up facilities. The building's design was chosen to recognize historical buildings in the area — mainly in use of brick walls and soft forms in the arches over windows and entries and sheet-metal mansard-roof edges.

This is new Richmond branch of Wayne Bank, Cambridge City. Structure was erected as part of Richmond Redevelopment Plan.

Dale J. Amborski has been named vice president, Lincoln National, Fort Wayne. He was with BancOhio National, Toledo, as new business development officer.

Raymond "Larry" Parker has been elected vice president, Midwest Commerce Banking Co., Elkhart, which he joined recently as a product manager, customized consumer products. He formerly was a vice president/trust officer, First Wichita National, Wichita Falls, Tex.

KANSAS



BISHOP

Thomas E. Bishop Jr. has been named senior vice president/manager, commercial banking division, Commercial National, Kansas City. Most recently, Mr. Bishop was senior vice president/manager, commercial loan department, at a large Oklahoma bank.

Don Adams, senior vice president/trust officer, First National, Hutchinson, has been named to the Kansas Task Force on Permanency Planning. This project of the National Council of Juvenile and Family Court Judges is being sponsored by the U. S. Office of Juvenile Justice and Delinquency Prevention. Purpose of the task force is to promote permanency planning for abused, neglected and other dependent children. The first national conference was held June 10-13 in Washington, D. C.

Bernard A. Hugo has joined Bank of Mid-America, Wichita, as comptroller. He was with First Federal S&L, Newton, and, before that, with Industrial State, Kansas City. Another new staff member is Jacquelyn M. Darbyshire, customer service officer, formerly with Fourth National, Wichita. Dorothy J. Wells was promoted to assistant cashier/manager, South Broadway facility. She has been a banker since 1971.

Bank Gives Scholarships

GREAT BEND — Two Great Bend High School seniors received the second annual Security State Bank scholarship awards in amounts of $1,000 each.

"We are pleased to provide these scholarships to deserving young people as part of our effort to be a good corporate citizen in the Great Bend community," says J. A. Mermis Jr., vice chairman/CEO, Security State.

Grant W. Gill has joined Admire Bank, Emporia, as cashier/operations manager/trust officer. He was with State Bank, Meriden, as cashier.

KENTUCKY

Variable-Rate CD Offered By Liberty of Louisville

LOUISVILLE — Liberty National says it is the first major financial institution in the area to offer variable-rate certificates of deposit. Unlike other CDs, according to the bank, this one is a variable-rate CD in which the interest rate will be adjusted each calendar quarter over the CD's term, which is three years. Liberty National also guarantees a consistent method of interest-rate determination. A $1,000 minimum deposit is required.

This three-year CD is tied to the 91-day Treasury-bill rate and consistently priced 50 basis points, or ½%, higher than the current weekly Treasury-bill auction rate.

Liberty National points out that, with the new CD, customers have the flexibility to adjust to interest-rate fluctuations and essentially remove the interest-rate risk from their investments. If interest rates continue to rise, the bank points out, this would allow customers to take advantage of increasing rates, due to the quarterly adjustment of the variable-rate CD.

COOPER

Marie Cooper, who has been in First National of Louisville's correspondent banking division since joining the bank in 1953, has been named a vice president in that division. Sarah "Susie" J. Schaaf, who joined the bank in May from Citizens Fidelity, Louisville, has been elected a vice president in the marketing division's product-development area.

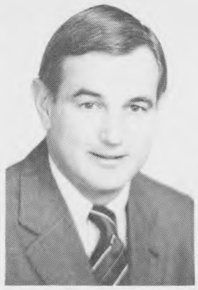
Liberty National, Louisville, has promoted Jeffrey P. Norton and John D. Sweeney to senior vice presidents and James E. Massey to vice president. Mr. Norton is in the metropolitan division, corporate banking group. Mr. Sweeney is in the cash management division, corporate banking group. Mr. Massey is in the U. S. banking division, corporate banking group.

LOUISIANA

Opelousas Bank Closed

First National of St. Landry Parish, Opelousas, has assumed deposit liabilities of Planters Trust, also in Opelousas, which was closed May 18 by James A. Hayes, commissioner of financial institutions. The FDIC was named receiver.

The closed bank's four branches reopened May 21 as branches of First National.



CLINE

Robert A. Cline Jr. has joined First National Bank of Commerce, New Orleans, as vice president/director of product management. He formerly owned a marketing/computer services firm in South Carolina. Before that, Mr. Cline was manager, retail banking division, Fifth Third Bancorp, Cincinnati, where he was instrumental in developing one of the first shared-EFTS systems.

MISSISSIPPI

Deposit Guaranty National, Jackson, and Merchants & Farmers Bank, Meridian, have announced plans to merge.

James G. Riggan Jr. has joined Jackson's First National as senior vice president with responsibility for managing branches outside the Jackson area. He formerly was senior vice president/manager, international division, First Tennessee Bank, Memphis.

Died: Donald E. Sutter, 73, chairman, Hancock Bank, Gulfport. He joined the bank 57 years ago after graduating from high school. His first job was file clerk. After serving as teller, he was elected assistant cashier in 1935, vice president in 1947, vice president/cashier in 1953, director in 1961, executive vice president in 1963 and chairman in 1977. He served on the faculty of the Mississippi School of Banking at the University of Mississippi.

MISSOURI

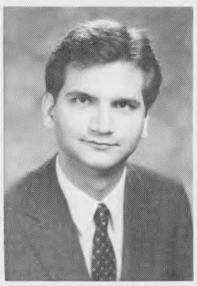
Southwest Bank, St. Louis, has signed a definitive agreement with Mississippi Valley Investment Co. containing revised terms of a proposed merger. Under the agreement, all Southwest Bank shareholders will receive $11 a share in cash for their common stock. Mississippi Valley Investment Co. is a recently organized Missouri corporation headed by Andrew N. Baur, former president, County Tower Corp., Clayton. If the proposed transaction is approved, Mr. Baur will become the bank's chairman/CEO. I. A. Long, now chairman/CEO, will become chairman emeritus; Fred A. Giacoma will continue as vice chairman, and Edward C. Berra will remain president/chief operating officer.

Centerre Bancorp, St. Louis, has filed an application with the Comptroller of the Currency to open a facility in St. Louis County.

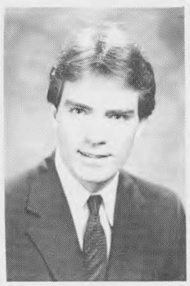
Steven K. Dieringer and Robert H. Myers have been elected vice presidents, Centerre Bank, St. Louis. Both were assistant vice presidents. Jay Wegman, Pamela M. Fattore and Mary Jo Hrabusicky have been named assistant vice presidents. Mr. Wagman joined the bank's investment banking department in March. Ms. Fattore and Ms. Hrabusicky were operations officers.

William B. Gresham III has joined Bank of Popular Bluff as trust officer. He had been an attorney in Poplar Bluff for four years and served as an administrative assistant to Senator Nelson B. Tinnin before moving to Poplar Bluff.

D. R. Landwehr has joined Ray County Bank, Richmond, as president/director. He was president, First Community Bank, Windsor.



BUETTNER



SMITH

David C. Buettner and Scott E. Smith have been named correspondent banking officers, Bank of St. Louis. Mr. Buettner's territory is southern/east central Illinois, and Mr. Smith's is northeast Missouri/west central Illinois. Before getting their new posts, Messrs. Buettner and Smith were analysts in the credit department and had joined the bank in 1983.

Robert L. Firle has been named vice president, Mercantile Trust, St. Louis, which he joined in 1970. He was an assistant vice president. Named assistant vice presidents were: Edwin P. Altomare, Stephen M. Hasser, Mary L. Hillerich, Paul J. Piechowski, B. Stevens Plowman and Robert A. Friederich.

Joel S. Markus and Donald Kudart have been elected vice presidents, United Missouri Bank, Kansas City. Mr. Markus is in the communication systems department. Mr. Kudart is in the software services department, where he has charge of managing the systems/programming staff. Named assistant vice presidents were: Greg Bernard, Roger Hershey and Gregg Thomas. Mr. Bernard is in the bond department; Mr. Hershey, financial services division, trust department; and Mr. Thomas, trust department.

NEW MEXICO

Sandy W. Thompson has joined Moncor Bank, Albuquerque, as senior vice president/real estate loan officer. He formerly was vice president/manager, Albuquerque office, First Security Realty Services, Inc. E. Michael Cunnington has been promoted to senior vice president/commercial loan officer. He has 11 years' experience in commercial lending. Gerald A. Koury, vice president/manager, Eldorado Office, has been promoted to senior vice president/office manager. Lorenzo G. "Larry" Leyva has been promoted to vice president/manager, Highland Office. He was an assistant vice president/loan officer. Joining Moncor as vice presidents/loan review officers are Paul S. Richman and Bruce F. Marturano. Mr. Richman formerly was a national bank examiner, Office of the Comptroller of the Currency. Mr. Marturano had been with the FDIC.

F. James Volk, has been named president/CEO and James R. Payne chairman of the United New Mexico Bank, Las Cruces, which is being organized. Mr. Volk until recently was senior vice president/commercial loan officer, Western Bank, Las Cruces. Mr. Payne formerly was senior vice president, investments, United New Mexico Financial Corp., Albuquerque.

Patrick G. Cahalan has joined Santa Fe's First National as vice president, commercial loans, Main Office. He was vice president, real estate lending, InterFirst Bank, Beaumont, Tex. Verne McCarthy has been appointed manager, Cerrillos at St. Michael's Office, and assistant vice president. He had been a commercial loan officer/assistant manager, WestAmerica Bank, Vacaville, Calif. Michael W. Altum has been named assistant vice president, accounting department, First of Santa Fe. He transferred from Banquest National, Albuquerque, which, like First of Santa Fe, is an affiliate of New Mexico Banquest Corp., Santa Fe. Joni M. Franco has joined First of Santa Fe as a customer service officer, Main Office. She was manager, West Central Office, Banquest National, Albuquerque.

OKLAHOMA

Mortgage Group in Memphis Formed by First of OC

OKLAHOMA CITY — First National has formed a new department to be headquartered in Memphis. First Mortgage Strategies Group will have as its principal clients S&Ls, pension funds and insurance companies.

Senior Vice President Don Hughes will manage the new department. Vice presidents Bill Faron and Howard Lasley will hold key positions. Mr. Faron's background is in mortgage banking, and Mr. Lasley formerly was with the S&L industry.

First Mortgage will offer mortgage restructuring/trading strategies. Vining-Sparks Securities, Inc., Memphis, a firm offering securities/analytical services to the financial industry, has been retained to assist in execution and efficient delivery of this service.

A Crystal Exhibit

Linda Moore (l.), v.p., Liberty Nat'l, Oklahoma City, and Mary Fitzhugh, owner of Fitzhugh's, stand beside "The New York Concorde." Ms. Moore and Ms. Fitzhugh coordinated the cocktail preview showing of Baccarat crystal sponsored by the bank and Fitzhugh's. The $10,000 Baccarat crystal obelisk pictured was auctioned off to benefit the Statue of Liberty Restoration Campaign. First bids were accepted at the preview. Once sold, it will be mounted on an ebony base, which will be inscribed personally to the purchaser. The obelisk was designed by Andre Vulliet, and it is his personal version of a monument in the Place de la Concorde in Paris. Exhibited at the showing was a selection of the most important pieces produced by Baccarat and valued at more than $100,000.

First Continental Closed

Both insured and secured deposits of First Continental Bank, Del City, have been transferred to United Oklahoma Bank, Del City, a newly chartered state nonmember subsidiary of United Oklahoma Bancshares, Inc., Oklahoma City. The two offices of the failed bank have reopened as offices of United Oklahoma, Del City.

First Continental was closed by State Bank Commissioner Robert Y. Empie, and the FDIC was named receiver. Mr. Empie attributed the bank's closing to "careless lending practices."

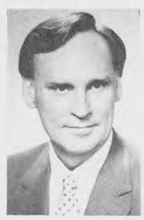
Bank of Oklahoma, Claremore, has promoted Judy Standridge to assistant marketing officer, Kenna Parish to mortgage loan processor and Diane Deardurff to loan administration officer.

Douglas L. Ruhl has been promoted to executive vice president, Liberty National and Liberty Financial Corp., Oklahoma City. He joined Liberty Mortgage in 1977 and transferred to the bank in 1981. He heads its real estate loan department. At Liberty National, Tony Boghetich has been named vice president, legal department; Michael Houle, assistant vice president, special assets department; and Dean Hirschy, assistant vice president, loan review. Mr. Boghetich joined the bank four years ago. Mr. Houle went there in March from Westinghouse Credit Corp., where he was senior area sales manager. Mr. Hirschy formerly was a national bank examiner, Office of the Comptroller of the Currency. He is loan review manager at Liberty National.

William A. Dick, president, First National, Oklahoma City, has been named to the board of PSI Process Systems, Inc., a Memphis-based process engineering construction-management firm.

Al Woods has been promoted to vice president, commercial lending, Central National, Enid, which he joined in 1978. He formerly was an assistant vice president.

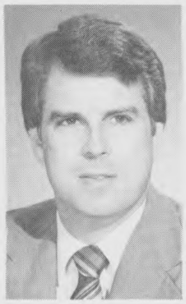
RUHL



DICK

WOODS

TENNESSEE



HOPPER

CATE

Third National, Nashville, has promoted Richard Cate to senior vice president; Michel Hopper to senior vice president/comptroller; Everett Davis to vice president; James Hofstetter Jr. to assistant vice president/legal officer; and Germaine Van Cleemput to legal officer. New officers include R. Stephen Iler, assistant vice president/trust officer, and Betty Harrison, assistant trust officer. Mr. Cate joined the bank in 1962 and heads the loan review department. Mr. Hopper has been with Third National since 1974.

Union Planters National, Memphis, has elected Richard L. Boals and Deborah D. Boyanton senior vice presidents at InnoVision, Inc.; Cecil E. Anthony, Frank W. Blalock Jr., Fred H. Collins, Frank B. Horrell, Billy B. Jackson and Stephanie V. Musial vice presidents; and Phillip V. Koen, Dean E. Quandahl, David T. Riddle, Fulton L. Young and John S. Young III assistant vice presidents.

Hamilton Bank, Johnson City, has promoted Patsy K. Elliott to assistant vice president/business development; Mary Jane Hendren to training officer; Frank G. Reynolds to credit officer; and Randy K. Humphreys and Duane U. Peterson to branch managers.

New Officers of the Tri-County Bankers Association are Jack Dawson, association president, and vice president, First State, Somerville; Phoebe Waynick, association vice president, and assistant vice president, Hardeman County Bank, Bolivar; and Lloyd Cash, secretary/treasurer, and executive vice president, Bank of Bolivar.

Bledsoe County Bank Fails

Deposit liabilities of Bledsoe County Bank, Pikeville, have been assumed by Citizens Bank, Dunlap.

Bledsoe County Bank was closed in May and the assuming bank paid the FDIC a purchase premium of $201,000 for installment loans and other assets. The FDIC Advanced cash amounting to $2 million to the assuming bank and retains assets of the failed bank with a book value of about $2.2 million.

TEXAS

New Landmark Bank Opens In Downtown Fort Worth

Landmark Bank of Fort Worth has opened its doors, in the 65-year-old W. T. Waggoner Building in downtown Fort Worth. The bank has restored the building to its former opulence. It is the original site of Continental National.

As an introductory special, the bank is paying 12% interest on its Landmark NOW Accounts until August 31.

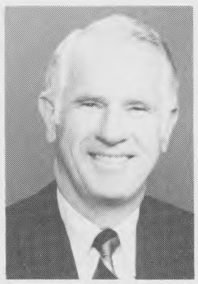
Keller Smith is president; Morrie Minshew is executive vice president; Haynes Morris is senior vice president and Jeannie Richardson is vice president/cashier.

Merger Agreement Approved

Shareholders of Cullen/Frost Bankers, Inc., San Antonio, have approved the definitive agreement to merge with First City Bancorp. of Texas, Inc., Houston. First City's shareholders also have voted to approve the merger.

The merged institution will have 78 member banks with assets of $19.2 billion, making it among the 20 largest commercial-banking organizations in America.

DAVIS



EDWARDS

Ted Davis has been elected chairman/CEO, First National, and CEO, First Amarillo Bancorp., Inc., both in Amarillo. He retains his titles as president of both firms. He succeeds Gene Edwards as bank chairman/CEO. Mr. Edwards remains as HC chairman and a bank director. Mr. Davis joined the bank in 1969 and has been president since 1981. Mr. Edwards has been with the bank since 1949 and had been CEO/chairman since 1975.

Wolf Is Trust Div. Chairman

John A. Wolf, executive vice president/trust officer, First City National, Austin, has been elected chairman of the Texas Bankers Association trust division.

Other officers include Bruce Petty, Texas American Bank/Fort Worth — first vice chairman; Richard S. White Jr., RepublicBank Trust Co., Dallas/Houston — second vice chairman; Jonathan A. Moore, Marshall National — secretary/treasurer; and Karen J. Cole, InterFirst Bank Houston — immediate past chairman.

University National, Galveston, has promoted Marvin G. Langston to senior vice president/cashier, Roger R. Quiroga and Nana Beth Turner to vice presidents, Mary Bernard to assistant vice president and Wallace H. Overly III and Sharon "Cricket" Simmons to assistant cashiers. The bank also has begun construction of a three-story building that will include a drive-up and parking areas.

William B. Watkins has joined Texas American Bancshares, Fort Worth, as vice president/loan administration director. He formerly was a bank regulator for the Comptroller of the Currency's office.

Frost Bank, San Antonio, has promoted James P. Cotton and Marvin Rickabaugh to vice presidents and Rudy Guevara, Caroline A. Ceniceros and Daniel J. O'Connor to assistant vice presidents.

First Nat'l, Snyder, Fails

Insured and secured deposits of First National, Snyder, were transferred to American State, Snyder, recently. American State is a newly formed subsidiary of American State Financial Corp., Lubbock.

First National was closed in May because it was said to lack available funds to meet depositor demands and had loan losses, conditions that promoted the Acting Comptroller of the Currency to declare insolvency.

Insured deposits in First National amounted to $15.2 million. American State's administration of the transferred deposits is funded by an equivalent cash payment from the FDIC. American State is paying the FDIC a premium of $962,000 for the right to receive the transferred deposits. American State has purchased First National's installment loans and certain other assets totaling $6.8 million.

Discount-Brokerage Success Requires Good Marketing, Speakers Tell Bankers

DISCOUNT-brokerage services are part of an increasingly competitive financial-services market and have an exciting future, but a strong marketing program and a banker's traditionally keen eye on operations are required for success.

That seemed to be the consensus of speakers at a Peat, Marwick, Mitchell & Co. day-long seminar on discount-brokerage services held in St. Louis in late April. The program was the third of its type sponsored by New York City-based Peat, Marwick in selected U. S. cities. Earlier, the program was presented to financial-services executives in New York City and Chicago.

Roy M. Stolze, one of the pioneers of discount-brokerage services in St. Louis and currently president of Bruno, Stolze & Co., St. Louis' largest discount broker, set the stage for the day's activity with a review of events that had brought discount brokers into existence. Mr. Stolze, who was joined on the program by his brother, James, a St. Louis-based Peat, Marwick partner, traced the roots of discount brokerage back to 1817, when the constitution of the New York Stock Exchange set the fees brokers could charge their clients.

Until the early 1950s, he said, the brokerage business was dominated by the individual investor, but then, institutional investors began to dominate. By the early 1970s, 60% to 70% of the average trading volume was done by institutions, and when fixed brokerage commission fees were eliminated in 1975, institutional investors began demanding discounts for the volume they were providing their brokers. Brokerage services began passing along higher percentages of their costs to individual investors who previously had been charged the same fees as the institutional investor, said Mr. Stolze.

The stage by then was set for the discounter, who could undercut large brokerage houses by eliminating the "walnut walls, big desks and ticker-tape machines" normally associated with brokerage houses, said Mr. Stolze. But the market wasn't quite ready for discounters, and the services that were established got off to a slow start.

By now, however, every major U. S. city has a discount broker and within the next year, more than 2,000 financial institutions will be offering such services, said Mr. Stolze. America's ever-more sophisticated financial-services user has at last awakened to the savings potential of going through a discounter rather than a full-service broker, he said. With the savings on transactions, an investor can purchase research a full-service broker normally provides, and, in any case, investors usually make their own decisions without relying on a broker's advice after they've been active in the market for a while, he stressed.

Bud Feuchtwanger, president, Feuchtwanger Group, Inc., New York City, publisher of *Banker/Broker Tieline*, a fortnightly newsletter, emphasized the importance of marketing in building a solid base of customers for a discount-brokerage service. He showed examples of what he considered good and bad attempts to market discount-brokerage services. An advertisement by New York City's Chemical Bank urging prospective customers to trade their full-service broker if he proved more expensive than the discount offered by Chemical Bank drew Mr. Feuchtwanger's unreserved praise.

"Remember, your customer can smell if your ad conveys that you don't know what you are talking about," he said.

Ralph Nixon, president, Torchmark Brokerage Services, Inc., Boston, agreed that marketing is a critical element in building a successful discount-brokerage operation. "You have to sell something before you can make a profit on it," he said, but he warned new entrants into the field not to expect to show a profit the first year.

Even if the discount-brokerage service does not prove profitable the first year, hanging on for a year or two until the profit picture improves is smart because the potential market for discount brokers is so vast, Mr. Nixon said. He cited statistics from a November, 1983, study of the discount-brokerage market by Market Facts, Inc., Chicago, as evidence of the market's potential. The study presents three possible scenarios for the evolution of discount-brokerage services over the next few years. Even under the "most pessimistic" scenario, the industry will experience some — albeit modest — growth, Mr. Nixon says. Under the "most realistic" assumptions made in the Market Facts study, banks will increase their discount-brokerage customer base from .5 million to 3.5 million households by 1986, Mr. Nixon said.

While the market potential is enormous, several speakers warned financial-service executives to beware of the liabilities a discount-brokerage service entails.

"You still have to focus attention on the operations side," Richard Brueckner, senior vice president, Pershing Division, Donaldson, Lufkin & Jenrette, New York City, told his audience. "The worst thing you can do is hire a $25,000 clerk to handle the (discount brokerage) business when you need a $50,000 person who knows the business."

A "$100,000 loss" can make hiring a $50,000-a-year expert seem like inexpensive insurance, Mr. Brueckner warned. He and other speakers on the program advised against hiring full-service brokers to man the discount operation because the discounting business is so different from the full-service operations to which they are accustomed. Full-service brokers, for example, often find it difficult to restrain themselves from crossing the line between presenting and recommending alternatives, Mr. Brueckner said.

Maintaining accurate and up-to-date information on customers and where they can be reached also is a good policy, said Mr. Brueckner. In the brokerage business, reaching customers in a matter of hours, not days, is of critical concern, he said.

A discount-brokerage service does not have to be the cheapest in town to succeed, speakers agreed. Even though the discounter is not providing all the services a full-service operation does, the service provided still has to be first rate, said Mr. Stolze. — **John L. Cleveland, assistant to the publisher**

MPX Merger Creates Third-Largest ACH

Three automated clearinghouses merged recently to create MPX, which serves more than 2,000 banks, S&Ls and credit unions in Arkansas, Kansas, Missouri, Nebraska and major portions of Illinois, Oklahoma and the southwestern portion of Iowa.

MPX, which stands for Mid-America Payment Exchange, is said to be the third-largest ACH of the 30 associations making up the nationwide network for automatically transferring funds.

MPX is headquartered in Kansas City, and its chairman is Thomas H. Holcom Jr., executive vice president, First National CharterBank, Kansas City. Jerome S. Goldstein, senior vice president, Mercantile Bancorp, St. Louis, is vice chairman.

Other offiers include John P. Borden, president; C. Thomas Jeffrey, executive director/assistant secretary; Robert A. Horn, vice president; Larry Phillips, secretary; Marvin W. Smith, treasurer; and Deena J. McCamis, assistant secretary.

Directors of MPX were selected from predecessor organizations: Mid-America Automated Clearinghouse Association (MACHA), Kansas City; Arkansas Automated Clearing House Association (ARACHA), Little Rock; and Mid-America Payment Exchange (MAPEX), St. Louis.

The merger has enabled MPX to reduce its operating budgets by more than 15% due to economies of scale, says Mr. Holcom. MPX's membership consists of more than 2,000 financial institutions.

Transaction volume of MPX's predecessors last year exceeded 17.8 million items, Mr. Goldstein says. Volume for 1984 is expected to exceed 25 million items.

MPX directors include the following: Steve Marsho, vice president/cashier, First National, Belleville, Ill.; George M. Ryrie, president, First National, Alton, Ill.; Jerry Goldstein, senior vice president, Mercantile Bancorp, St. Louis; Thomas H. Holcom Jr., executive vice president, First National CharterBank, Kansas City; William C. Imming, executive vice president, Commerce Bank, Kansas City; F. Howard Manning, vice president, Centerre Bank, St. Louis; and Marvin W. Smith, senior vice president, Boatmen's National, St. Louis.

New Orleans to Be Site Of 69th BMA Convention

"Marketing: The Driving Force" has been selected as the theme of the Bank Marketing Association's 69th annual convention, slated for September 16-19 at the New Orleans Marriott and Sheraton New Orleans hotels.

The theme expresses the idea that marketers will play a pivotal role in determining the future direction of commercial banking, says Joyce Healy, senior vice president, Manufacturers Hanover Trust, New York City, convention-program council chairperson.

The three-day convention program will feature a roster of speakers with a "nuts-and-bolts" approach to bank marketing topics.

S. F. Bradley, marketing director, First Commonwealth Bank, Prestonburg, Ky., is the prizewinner in the BMA's convention "early bird" registration drawing. His name was selected from among 140 delegates who submitted their registrations before a March 1 deadline. The prize is two first-class round-trip airline tickets to a city of the winner's choice.

• **James R. Pastorello** has been promoted from executive vice president, education, to group executive vice president, professional development, Bank Administration Institute, Rolling Meadows, Ill.

Earnings-Improvement Seminars Mark Entrance of CPA Firm Into Bank/Thrift Consulting

DELOITTE, Haskins & Sells has been in the corporate-consulting business for a long time, but recently it has made its services available to financial institutions through its new RESULTS Project Group.

Deloitte, Haskins & Sells (DH&S) acquired a consulting firm named Results International about 18 months ago and re-christened it the RESULTS Project Group. Results International personnel were part of the acquisition.

Group personnel have been holding half-day earnings-improvement seminars geared specificially for financial institutions.

Management-session seminar agendas cover practical methods and management tools for improving earnings, despite pressures resulting from deregulation, loan quality, competition and other factors.

Earnings-improvement seminars address primary areas of concern for bankers, including non-interest income opportunities, non-interest expense reduction and micro-computer tools for management.

The first area of concern was addressed by Wayne Johnson, who heads the RESULTS Project Group, when the "road show" visited St. Louis. Mr. Johnson discussed service-charge pricing, NSF/criteria pay system, commercial-account pricing and fee-income opportunities.

Mr. Johnson, in his opening remarks, stressed the fact that RESULTS personnel aren't any smarter than bankers, but they have an advantage in that they have discussed earnings-improvement techniques with bankers throughout the nation and have observed which ideas work well and which do not.

Much of the material presented at the seminars is just good common sense, Mr. Johnson said, and he asked the 100 representatives from banks and thrifts in his audience to strive to be aware of what was being presented so they could recognize at least one new idea they could take back to their bank or thrift that would enable the institution to improve its earnings.

He likened conducting an earnings-improvement program to building a house. A plan must be followed. Most financial institutions don't have solid plans in mind when they embark on such a project. "They just hammer away at the building materials," Mr. Johnson said, and the result often is less than adequate.

When making a blueprint for earnings improvement, bankers should ask themselves what factors are most important, Mr. Johnson said. He listed float, fee income and service-delivery productivity. "You can find money in these three areas," he said.

The objective of fee income is to evaluate a pricing policy relative to the competitive situation. Before this can be done, a determination must be made as to the competitiveness of each bank service or product. Any product that is noncompetitive (such as NSF) can carry a service charge that relates to the true cost of providing the service; thus, the bank can make money on it. Any product or service that can be classified as a "dawg" (Mr. Johnson is a native of Georgia and speaks — and sometimes writes — with a southern accent!) should be priced outrageously high so that it either drives customers using that service to another bank or makes the service so profitable that it no longer is a "dawg."

He advised bankers to consider super NOW customers as up-scale, since they are among the few bank customers who can afford to deposit $2,500 to open an account. These people should be treated as special customers. Offer them free coffee; let them participate in package plans as add-on — not free — services (so as not to reduce the bank's income). Since most up-scale customers are not subject to service fees, add-ons — tied to transaction accounts — enable the bank to collect fees for the additional services.

The second portion of the seminar discussed non-interest expense reductions, attainable through using staffing guidelines, float-reduction techniques and cash-management practices.

One of the speakers during that portion of the seminar was William Swords, manager of RESULTS' Atlanta office. In discussing achieving proper staffing levels, he listed four variables: cost, quality, procedures or controls and volume. The last variable is most important, he said, and if any one variable changes, the other three are affected.

He cited branches as ideal locations to achieve staffing reductions because many employees at branches can perform the work of others. Tellers, he said, constitute 20% of a bank's personnel expense. It's possible to achieve a 10%-15% staff reduction simply by asking existing personnel to account for their work. This tends to make people more productive, he said.

He added that banks can schedule staffing more accurately to meet peak demand periods. Too often, banks tend to maintain full staffing even during times when demand is low. They can save up to 10% of staffing costs by using RESULTS' software program that enables a bank to schedule personnel more efficiently. He also said many banks don't realize that certain work can be carried over to the next day if it's not completed by closing time — a practice that can permit personnel reduction. — **Jim Fabian, senior editor**

Mass. Banking-Law Center Receives Citicorp Grant

Citibank-Citicorp has given a $2,000 grant to the Morin Center for Banking Law Studies at Boston University School of Law. Purpose of the grant is to support the center's educational programs in banking-law studies.

The center was established in 1978 and publishes a banking-law review and conducts conferences and research on current issues of importance in the financial-services industry.

Some bankers hope

It won't. And if you don't consider your options, you may be left without any.

At least one leading consultant predicts that over 5,000 banks will disappear within this decade. Some for being unable to compete with products or technology, some for just not being able to compete profitably any longer.

An alternative to joining the growing list of merged or acquired financial institutions is a franchise from First Interstate Bancorp. It's a way not just to survive, but to thrive.

Franchising:
the profitable partnership.

The First Interstate Bank system is the nation's seventh largest banking organization with assets of over $44 billion. And together with our franchisees we have more than 1,000 offices in 14 states. That size and strength translates into leverage, access and efficiency.

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Access to larger, more profitable opportunities. Such as the specialized First Interstate subsidiaries engaged in mortgage banking, discount brokerage, international trading and data processing. Our First Interstate

deregulation will go away.

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Efficiency in delivering to your customers a full menu of emerging products and services at a fraction of their usual development costs.

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The First Interstate Bank system has a track record of solid growth in branch banking and unit banking states. Our franchising philosophy in both has proven value: local management and commitment to the community—along with the service and technology only the very largest banks can offer efficiently.

Find out more about franchising and its potential for improving your bottom line. Call John Dean, President, First Interstate System: (213) 614-3043.

Because if you want to be part of the future, it's time to stop living in the past.

First Interstate Bancorp

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Who can resist such personalities as "Me, Too!,"SM "Christmas Cub,"TM "Holly Berry"SM or "Smart Cookie"SM? Many of these premiums are exclusive with us, and are available to you to make your marketing promotions unique, varied, highly successful–and fun!

We at Christmas Club a Corporation have been designing and marketing promotion packages for more than 70 years–and we know how to make them work! If you haven't received your 1984 Premium Catalog, call us today and let us share the fun with you.

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SM–"Me, Too!" is a servicemark of Christmas Club a Corporation, Easton, PA.
SM–"Holly Berry" is a servicemark of Christmas Club a Corporation, Easton, PA.
SM–"Smart Cookie" is a servicemark of Christmas Club a Corporation, Easton, PA.

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Christmas

A Collection of Holiday Celebrations at Banks

THERE NEVER is a shortage of ideas for making banks attractive and hospitable during the holidays. Each year, new ideas are blended with more traditional ones in banks across the nation and each year those in charge of displays and decorations seem to think of better ideas they can utilize the following year.

Following is a collection of holiday ideas that worked successfully at banks last year. Most of them are adaptable to almost any bank's situation.

• Music brought the spirit of Christmas to noon-hour crowds at the main office of Marine Bank, Milwaukee, from noon until 1 p.m. during pre-Christmas week last year. Daily performances featured a harpist, a high school choir and a woodwind quintet. The bank lobby was decorated with a hanging illuminated starburst and numerous decorated Christmas trees.

• It's traditional for the Christmas season to begin at First Plaza in front of First National's building in Albuquerque. The eye-catching feature in plaza decorations is a 60-foot Christmas tree made of 200 eight foot white fir trees, topped by a 20-foot white fir tree. The 11-ton tree is wrapped in one-third of a mile of lights (2,000 bulbs). The bank invites Albuquerqueans to gather on the plaza, join the Albuquerque Boys' Choir in the singing of carols, visit with Santa and watch the tree's lights come on. Santa descends in a sleigh from the top of the seven-floor building to visit with the crowd and bank employee "elves" distribute candy canes to children. The city's mayor officially opens the Christmas season by throwing the switch that lights the tree. Luminarias grace the top of the bank building and outline the fountain on the plaza.

• Something new in Shreveport, La., last year was the introduction of a new holiday back-lit billboard by First National that features a white dove with wings outstretched, along with the message "Peace — the wings of the future." The panagraphic billboard has a background that is brilliant blue sky by day, but that changes to a stained-glass background at night. The board is illuminated from the rear by light boxes operated by an electronic eye that turns lights on at dusk and off at daylight. The billboard features other messages during the year.

• A Christmas tree made from 1,000 poinsetta plants brought color to the lobby of Hawkeye-Capital Bank, Des Moines, Ia., last year. The tree consists of a wooden frame that is 16 feet high with a diameter at its base of 12 feet. Plants are arranged on the frame to produce the shape of a Christmas tree. The tree provides a backdrop for high school singing groups who perform during Christmas week. When the poinsetta tree is dismantled, the plants are donated to customers, employees or area nursing homes.

• A series of musical entertainment programs for local senior citizens groups and residences has been presented for the past 11 years by Devon Bank, Chicago. Six shows were given last year at various locations.

• A Christmas tree auction and show was held in the lobby of First National, Hutchinson, Kan., last year early in December. Thirty-five trees were displayed, each donated by a community group. The auction benefitted the Training and Evaluation Center of Hutchinson. A wood sculpture tree brought $775, the highest price bid for any of the trees. The auction raised more than $10,000 for the Training and Evaluation Center, which helps handicapped and retarded children and adults. All trees were displayed in roped-off rings in the bank lobby.

• A teddy bear Christmas promotion was staged at Charter-Bank Independence (Mo.) last year. Thirty-six bears were used to decorate the bank for the holiday season. Each bear was destined to be a gift to a child. Names of the children were collected in a box

On the Cover

Christmas "gifts" to the public by banks include (clockwise, from upper left) a Christmas tree made from 1,000 poinsettia plants at Hawkeye-Capital Bank, Des Moines, Ia.; a banking lobby decked with a hanging illuminated starburst at Marine Bank, Milwaukee; collection of toys wrapped by employees of Frost Bank, San Antonio, being judged by personalities from TV's "PM Magazine"; and backlighted billboard bearing message of peace sponsored by First Nat'l, Shreveport, La.

Auctioneer (l.) takes bids on dolls auctioned by Sterling Nat'l, Sugar Creek, Mo.

in the lobby and a drawing was held just before Christmas. The promotion not only decorated the bank, it made many children happy at Christmas.

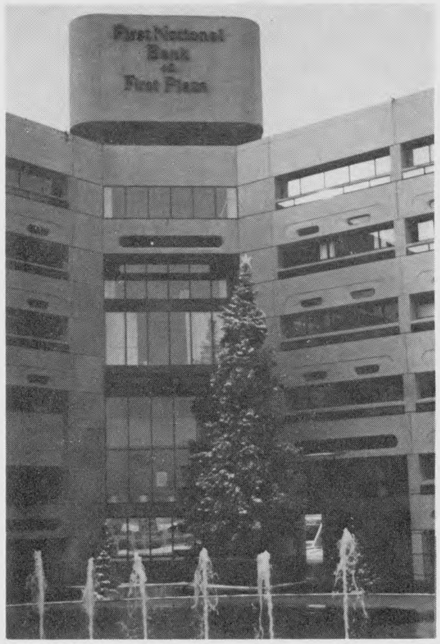
• A doll auction was the highlight of the holiday observance at Sterling National, Sugar Creek, Mo., last year. The bank purchased 85 dolls and asked residents to dress them. The costumed dolls were taken to a local hotel ballroom where they were auctioned, with proceeds donated to several local charities. Prizes were given for the three best costuming jobs, with a new sewing machine going to the top winner.

• Lunch-time holiday entertainment was provided by area choral groups in the main bank lobby of Merchants National, Topeka, last December. Groups performing over a two-week period included the Topeka Opera Society Concert Association, Topeka West Singers, Topeka High Madrigals, Hayden Singers, Shawnee Heights Corraliers, Highland Park Scots, Seaman High School Seamanaires and a group from Washburn Rural High School. All concerts were 30 minutes in length.

• A locally produced recording of Christmas music was sold to the public last year at Fourth National, Wichita. Object of the sale was to raise funds for music scholarships at local universities. Title of the recording was "Wichita Holiday Magic," and a color photo of the bank's continuing holiday magic Christmas display appeared on the record jacket. Almost 4,000 albums were sold at $5 each last year and more are expected to be sold this coming holiday season.

Toys wrapped by employees of Frost Bank, San Antonio, were presented to 250 children from area children's homes during bank's annual Christmas party last year. Santa is shown giving gift to deserving youngster.

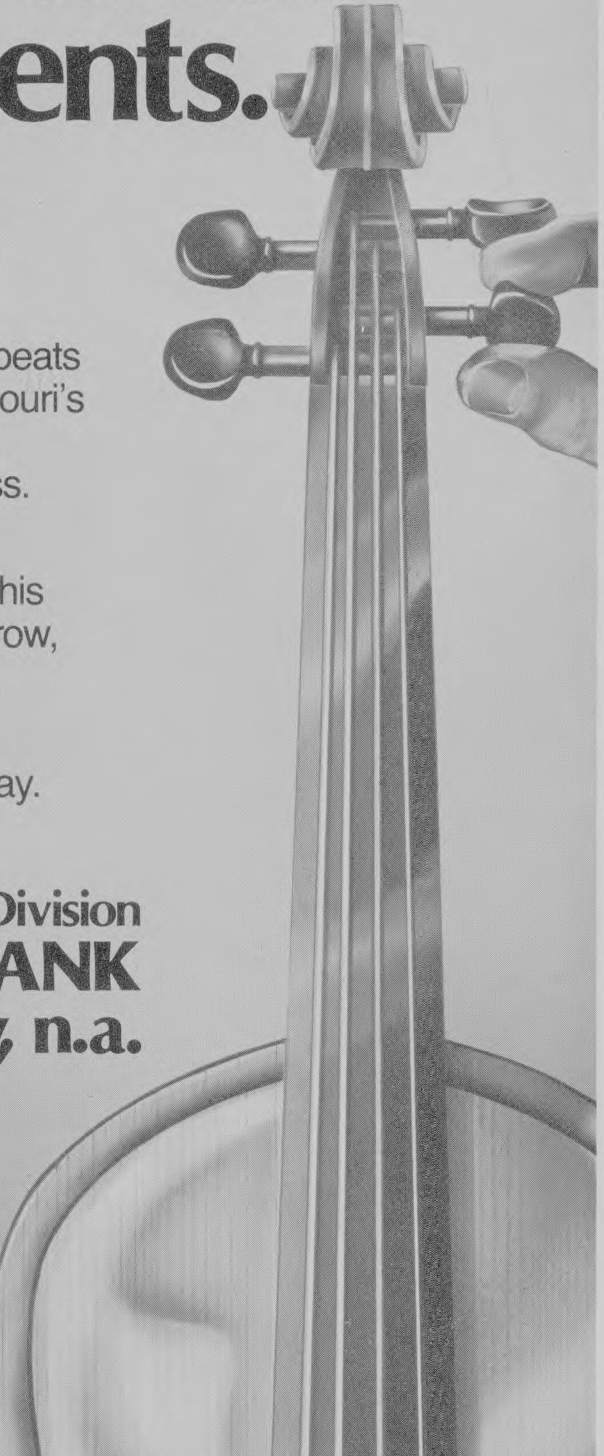
• More than 2,000 gifts for abused and neglected children were collected by Texas American Bank/Fort Worth last year through the bank's "Spirit of Christmas" gift-giving program. Through the program, bank customers and employees picked cards bearing a child's name, age and what his or her needs were for Christmas. The names were provided by the Texas Department of Human Resources. Participants chose a card, wrapped their gifts and brought them to the bank for placement under a Christmas tree in the lobby. The gifts were delivered to the Department of Human Resources for distribution to recipients. Approximately $600 was collected to purchase additional gifts for more than 70 other children.



Sixty-foot-tall Christmas tree adorns First Plaza at First Nat'l, Albuquerque. Tree-lighting ceremony at plaza marks start of holiday season each year.

• Dolls dressed in everything from blue jeans to bridal gowns and toys painted in bright colors filled the middle lobby at First National, Belleville, Ill., prior to last Christmas. The dolls and toys were dressed and painted by members of the bank's Senior Security Club and were donated to the local Empty Stocking Fund, a non-profit organization that donates toys, clothing, money and food to the needy at Christmas. The club is for senior citizens. • •

Spirit of Christmas is shared with customers of Liberty Nat'l, Oklahoma City, by harpist playing Christmas music in bank's lobby. Four three-hour concerts were given last year.



Christmas Club Turnarounds Credited to Sales Efforts

TELLER TRAINING is the key to a successful Christmas Club promotion, according to two midwestern bankers who have seen their banks' clubs perform turnarounds in the past two years.

They add that an important adjunct to training is incentives that make the extra effort to promote Christmas clubs worthwhile for bank personnel.

The bankers are Rita Painter at City Bank, Moberly, Mo., and Mary Doak at Grundy National, Grundy Center, Ia. Both banks saw their clubs falter during the recession year of 1982 and both are seeing the results of a determined effort to make the clubs successful.

Ms. Painter says a special meeting is held annually at City Bank to familiarize tellers with the training they need to cross sell Christmas club accounts. Tellers are made aware of the bank's policy to push club-account sales during the year-end sign-up period. They are told that the three tellers opening the most clubs will be rewarded for their efforts. Both renewals and new club accounts qualify for the competition.

The public is reminded about club availability by statement stuffers, newspaper ads and some radio advertising.

The bank's effort to promote Christmas clubs is the result of stock taking after a bad year for clubs in 1982, Ms. Painter says. Consideration was given to dropping the accounts, but management decided to try to reverse the decrease in club sales by offering a free stuffed-bear premium to anyone opening a club with a payment coupon of $20 per week. In addition, the bank made the 50th payment for every club account kept up to date through its term.

The bear premium, which was purchased from Christmas Club a Corporation, proved a real hit among customers. Bears were placed throughout the bank's lobby, where they would attract the customer's eye.

Tellers' sales efforts were made easier when customers approached them to ask how they could obtain "one of those cute bears" as a Christmas gift. More than 850 of the plush animals were given away or purchased during the two-month promotion period, Ms. Painter says. Customers opening club accounts with weekly payments less than $20 could purchase the premiums.

Ms. Painter says Christmas clubs are useful to banks because they constitute excellent "openers" for making sales of other types of accounts. Customers appreciate Christmas clubs because they see them as a way of making a commitment to saving. They also like to have a savings account that is not readily accessible during the year. They know the money will stay put until payout time.

Ms. Painter reports that Christmas club dollar activity was quite static prior to the offering of premiums. Dollar activity increased only 1% in 1980 over 1979 and only 8% in 1981 over 1980. A 9% *decrease* occurred in 1982 (due to the recession). That's when it was decided to beef up club appeal with premiums. Dollar activity jumped 34% in 1983, the first year premiums were offered!

It's important that bank personnel know how to sell Christmas clubs, Ms. Doak says. Actually, the accounts are easy to sell, and the experience personnel get in promoting them helps condition tellers to sell other bank services. After two months of pushing Christmas clubs, tellers are sufficiently fortified by their success to tackle the sale of services that aren't as readily accepted by the public.

Grundy National sets goals for Christmas club sales and offers rewards to all bank personnel who attain the goals. Personnel are placed in teams to make the effort a cooperative one.

In the interest of operational economy, the bank decided to make some changes in its Christmas club policy last year. Since it costs the bank almost 30¢ to process a Christmas club payment each week, it seemed reasonable (and practical) to make an effort to convert accounts to an automatic-payment plan. But, in order to do this, customers would have to arrange for their payments to be deducted from checking accounts, and, in so doing, they would lose any interest their club accounts had been earning in the past.

Teller teams were told that one of their goals would be to convince a percentage of club account holders to make this switch. This meant tellers had to be able to give convincing arguments to counteract customers' disappointment at losing their annual interest. Tellers became adept at advising customers that the convenience of an automatic club payment more than made up for the loss of a few cents of interest.

Not all customers would or could make the change to automatic deductions of payments. Those who didn't have checking accounts had no choice but to continue making weekly payments by coupon. Since a number of children fell into this category, the bank continues to honor this method of payment.

Grundy National has had mixed results with the use of premiums, according to Ms. Doak. In 1981 a Christmas collector's plate was offered that was a great success, accounting for a 32% increase in business. Management was so pleased with the results that a similar plate was offered the following year. But the recession took its toll and a 16% *decrease* in volume resulted. Last year, candleholders were offered, with much-improved results — only a 2% decrease was registered! Although this may seem to be a less than satisfactory result, Ms. Doak says, it really represents quite a turnaround from the previous year's decrease, especially when the changeover to automatic deductions and subsequent loss of interest is taken into consideration.

Ms. Doak is convinced that premiums are essential to successful Christmas club sales. They get the customer's attention, she says. It's the point-of-sale factor! And it helped Grundy National convince 40% of its Christmas club customers to opt for automatic deductions of payments.

The experiences of these two banks point to the fact that there's no substitute for effort in the promotion of Christmas clubs! ● ●

Christmas Club President Guinan Looks Forward to Greater Successes

THE FINANCIAL institutions described in the article on page 30 have at least one thing in common — profitable use of the Christmas club concept.

John H. Guinan, president of Christmas Club a Corporation, points out that club savers actually can contribute to profitability in other ways. "These savers offer more to financial institutions than simply a source of low-cost cash," he says. "We've found that most Christmas club participants have a strong sense of loyalty to their banks, and that loyalty can pay off very well. A recent survey showed that nearly all club savers have checking or NOW accounts, and the majority of them have passbook accounts and bank credit cards. Many club savers, we learned, also borrow money, rent safety deposit boxes, or use other services offered by their banks."

But financial institutions across the country are not the only ones benefitting from Christmas clubs. The Easton, Pa.-based corporation itself enjoyed remarkable success in 1983 — the best year in its 73-year history.

At the firm's annual sales meeting earlier this year, Mr. Guinan acknowledged the current turmoil in the financial industry, but said, "We are confident that demand for our products will remain strong. In addition to marketing our traditional product line, our diversification efforts will continue."

Mr. Guinan's confidence is demonstrated by current information:

- Overall sales in 1983 were 14% higher than in 1982.
- Full Service Bank Productions (FSBP), a wholly owned subsidiary, generated 10% of the Corporation's total income and operated at 350% of its expected level. FSBP supplies banks with collateral materials endorsed by the American Bankers Association.
- "A Better Way . . .," a series of informational pamphlets covering auto loans, IRAs, checking accounts, NOW accounts and other services, was developed to offer banks a low-cost way of promoting these services. The design allows customized copy to be added to the back page, thereby personalizing an othrwise "stock" item.

Mr. Guinan also is enthusiastic about two new 1984 Christmas Club programs, which he believes will be substantial successes: "Smart Cookie" and "Me, Too!"

Gnome-like baker sets tone of "I'm a Smart Cookie" Christmas Club promotion for coming holiday season.

The central figure in the "Smart Cookie" program is a bearded, bespectacled elfin baker (see illustration). The premium line includes two-foot and eight-inch stuffed velour gingerbread men, coordinated apron and oven mitt sets, old-fashioned ceramic cookie molds from Pfaltzgraff's "America" collection, a cookie recipe book from *Better Homes and Gardens,* sets of gift-boxed metal cookie cutters and Danish-style cookies packed in decorated, reusable tins.

The "Me, Too!" program includes eight-inch and 40-inch versions of a stuffed plush puppy and a plush

Christmas stocking with enough iron-on letters to personalize it.

Mr. Guinan says both programs include the full range of Christmas club support materials, such as coupon books, checks, envelopes, statement enclosures, cutout application cards, counter cards and teller badges.

The "Smart Cookie" theme also lends itself to the promotion of other bank services throughout the year, and is carried out through color brochures featuring "cookie" graphics for each bank service.

"We think the concept will appeal to many customers," Mr. Guinan says. "They'll be able to think of themselves as being 'smart cookies' for selecting these services, such as IRA or Keogh plans, personal loans, charge cards and others."

Other premiums offered by the Corporation run far beyond stuffed animals and cookies. A quick look through the new catalog uncovers many more items, several of them Christmas Club exclusives. Of particular interest are Norman Rockwell and Currier & Ives designs reproduced on a variety of items, such as mugs, plates, Christmas ornaments, lamps and other goods.

Regarding the future of the Corporation, Mr. Guinan is optimistic. "We're riding the crest of the best sales year we've ever had, our field sales staff was recently expanded with talented and aggressive people, our new products are performing well and we have a terrific customer base," he says. "We expect 1984 to be even better than 1983, and it really should be. After all, every day is Christmas for us!" ● ●

Settlement Is Made In Case Involving Bank Directors

AN ORDER accepting a settlement offer from a state-chartered bank regarding its directors' responsibility for loans made in excess of the bank's lending limits has been accepted by Eugene W. Kuthy, commissioner of Michigan's Financial Institutions Bureau (FIB).

In March, 1981, the bank and its board were informed by the FIB commissioner that several loans made to different parties were so interrelated as to be considered one unit for purposes of the bank's lending limits because proceeds of the loans were directly or indirectly to one entity. The combination of these loans resulted in a statutory-lending violation that exposed the bank to financial loss as a result of the directorate allegedly not properly discharging its legal responsibility. Subsequently, the commissioner issued a notice of charges for issuance of a cease-and-desist order after the bank failed to reduce the loan to its legal lending limit within 90 days.

The order would have required the bank to hold the bank's directors responsible for any losses incurred. Prior to the hearing scheduled before a hearings officer, counsel for the parties, including bureau staff, reached a proposed settlement. It then was presented to FIB Commissioner Kuthy.

According to Mr. Kuthy, the agreement made further proceedings before the hearings officer unnecessary. The bank not only proceeded to collect a large portion of its losses from the debtor, but also collected funds from individual directors. The board also agreed to initiate a review of directors' responsibilities, institute sound lending policies, regularly report its progress to the FIB and disclose the settlement to its shareholders.

In return, Mr. Kuthy dropped the cease-and-desist action and is issuing a bulletin to all state banks on combining loans for purposes of statutory-lending limits of a bank.

While he precluded from identifying the bank or individuals because of banking-confidentiality laws, Mr. Kuthy indicates he would make the order available after eliminating names and other language to prevent identification of the parties involved.

"This action," says Mr. Kuthy, "was brought for the twofold purpose of dealing with a recalcitrant board, which, in my opinion, was not paying attention to its responsibilities, as well as sending a signal to all other banks and their boards that the bureau intends to pursue such violations of banking laws."

AmeriTrust HC, Cleveland, To Acquire Colorado HC

AmeriTrust Corp., Cleveland, and Central Bancorp., Inc., Denver, have entered into an agreement whereby AmeriTrust would purchase a 92% equity interest in Central Colorado Co., a partnership that owns about 95% of Central Bancorp. The interest would be purchased indirectly from D. H. Baldwin Co.

The agreement is subject to the approval of the Fed. In addition, since D. H. Baldwin Co. is currently in reorganization under Chapter 11 of the Bankruptcy Code, the agreement requires approval of D. H. Baldwin, the bankruptcy court and certain equity and creditor groups.

No changes in directors and management of Central Bancorp. are expected; in addition, management of the HC's member banks would continue without change.

AmeriTrust is the fourth largest commercial bank HC in Ohio with year-end 1983 assets of $5.8 billion. Central Bancorp. is a statewide HC with 19 banks and four more in various stages of organization. Its assets were $1.7 billion at year-end 1983.

Closed KC Bank Reopens As Landmark Bank

Republic Bank, Kansas City, closed June 18 by the Missouri commissioner of finance, Kenneth Littlefield, reopened June 21 as Landmark Bank of Kansas City, a de novo subsidiary of Landmark Bancshares Corp., Brentwood, Mo. (a St. Louis suburb). Landmark Bank assumed the insured deposits of Republic Bank.

Brick Porter is president, and John C. Craft is chairman. Mr. Porter is a partner in a law firm and chairman, Landmark KCI Bank, Kansas City. Mr. Craft is president, Landmark KCI Bank.

The reopened bank, Landmark Bank of Kansas City, has two locations, the main one at 1801 Grand Avenue and a facility at 3838 Main.

• **Ralph E. Sharpe** has been appointed director, enforcement/compliance, Office of the Comptroller of the Currency; Roberta W. Boylan has been named director, legal advisory services; and Eric Thompson has been named director, legislative/regulatory analysis. Mr. Sharpe joined the OCC in 1978; Ms. Boylan in 1966 and Mr. Thompson in 1980.

NOAC Indicates Wiser Technology Use Required in Banking Industry

BILLED as the world's largest exhibition of banking technology, the ABA-sponsored national operations and automation conference (NOAC) in mid-May seemed designed to convince bankers that more intelligent use of technology — not just more technology alone — is required to cure banking's major problems.

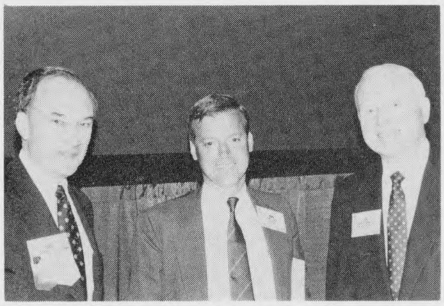
Don Hollis, senior vice president, First National, Chicago, and executive committee chairman, ABA operations and automation division, started the four-day conference held at the Washington, D. C., Convention Center with a speech detailing banking's poor productivity record despite attempts to automate.

"Most of us expected automation to improve efficiency; the numbers don't bear us out," Mr. Hollis said. "According to the (U. S.) Bureau of Labor, our average annual increase in productivity is essentially flat. We can't use the excuse that all service industries have low productivity rates. For example, the labor-intensive communications industry leads with an average annual increase of 5.7%, and this industry has been heavily unionized and regulated. Even more embarrassing, bureaucrats reponsible for regulatory compliance showed higher productivity gains: 2.1% versus 1.3%."

The banking industry has had some "real successes" in improving productivity and in its efforts to automate, said Mr. Hollis, and there have been mitigating factors in banking's poor productivity record. For example, banks have had to offer new products and services in response to consumer demand and competition. Deregulation has squeezed profit margins for banks, further eroding their ability to make productivity-enhancing improvements. But the challenge for banks in the future is clear, said Mr. Hollis.

"We must use technology to simultaneously increase productivity and provide new customer services," he said. "Improvements that deliver only one of these benefits no longer are appropriate. In fact, such projects may erode our relative competitive position."

Teamwork and joint involvement could yield more creativity and faster development; however, too often, development projects in banking are initiated without benefit of market validation, according to Mr. Hollis.



Speakers at ABA's national operations and automation conference in Washington, D.C., were (from l.): Don Hollis, s.v.p., First Nat'l, Chicago; John S. Reed, vice ch., Citibank, New York City; and James G. Cairns Jr., ABA pres. elect/pres., Peoples Bank of Washington, Seattle.

"Given increased competition, the banking industry can't afford false starts," said Mr. Hollis. "Hence, focused market research should be a prerequisite to project initiation."

James G. Cairns Jr., ABA president-elect/president, Peoples Bank of Washington, Seattle, noted that technology is on the verge of becoming a "banking product in and of itself" rather than just a vehicle for product delivery. But he urged bankers not to succumb to the temptation to focus on what is technically possible rather than on what is necessary from customers' viewpoints, or is profitable for the bank.

"The point I want to stress today is that the winners in this process — and the losers — will be determined by how well they tailor technology to the markets they serve," he said. "Success won't be guaranteed by simply being on the edge of change."

Mr. Cairns said he wished he could take members of Congress on a tour of the exhibit area so they could see the banking industry's current state of technology.

"Maybe they would realize what it (technology) cannot do — as well as what it can do — and the promise of what it will do in the future," said Mr. Cairns. "Some in Congress have been distracted by the idea of a moratorium on nonbank banks, and some have been tempted by the idea of forcing nonbank companies to divest themselves of banking activities.

"If they were here today, they would marvel at this wonderful technology," Mr. Cairns said, speaking of congressmen. "Perhaps they would realize that the human mind that could envision this technology could also find a way around any legal barrier they could create if the reward is great enough . . . and it is."

But not all members of Congress would be attending NOAC, said Mr. Cairns, so it is up to bankers to communicate that "we cannot return to a safe, easy world where banking fees were nonexistent or nominal, a person's signature was as good as his/her bond, and banking was the unique preserve of bankers."

Throughout his speech, Mr. Cairns reminded the operations/automation personnel of the important role they've come to play in banking and the need for them to be more disciplined. When he is inducted this October as the ABA's new president, Mr. Cairns noted early in his speech, he will become — at age 46 — not only the ABA's youngest president in history, but also the first to come up through operations, not the lending or retail side of banking. He suggested that his election as ABA president would not be as much a reflection of his personal attributes as a reflection of the crucial role operations have come to play in banking.

One congressman who did turn up at NOAC was Senator Jake Garn, (R.Utah), chairman, Senate Banking Committee. Technology is changing so rapidly, Senator Garn said, that the time for the next legislative step in deregulating financial institutions is now. No longer does it make sense to regulate financial institutions under laws written 50 years ago, he said. Adding that he was not going to preside over a Senate Banking Committee that does nothing, Mr. Garn assured bankers he will continue to push for as broad a bank deregulation bill as possible. Although he has hopes such legislation could pass yet this year, he said he still will be around in Congress for at least another two years to continue to push for the next step in the dereg-

(Continued on page 36)

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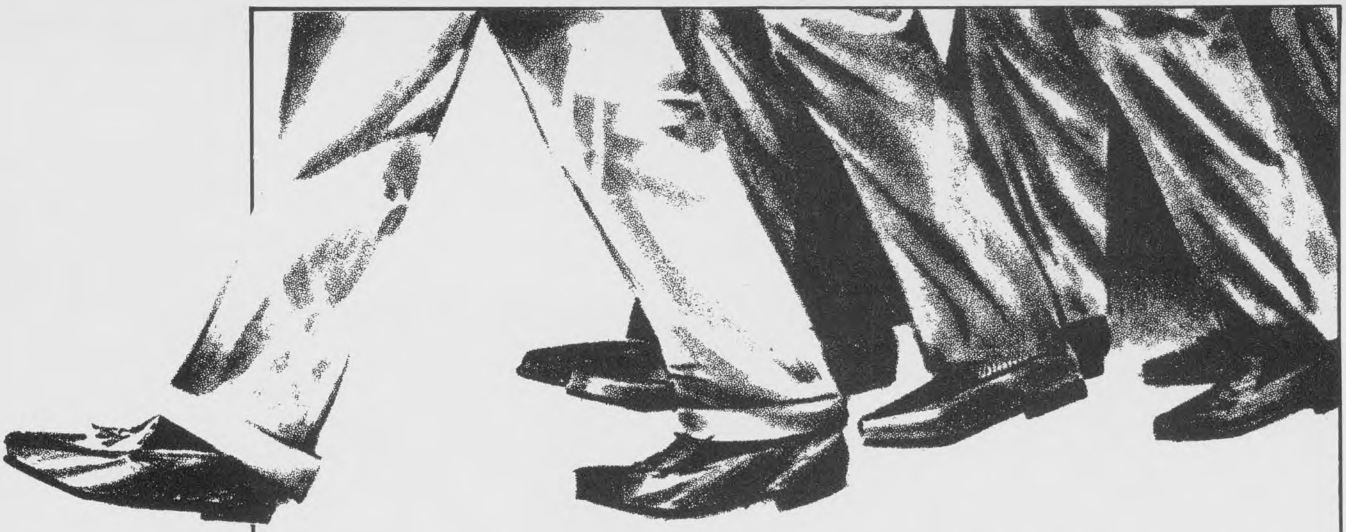

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Admiral Bobby R. Inman, CEO, Microelectronics & Computer Technology Corp. (MCC), Austin, Tex., who has been labeled the nation's "super-computer czar," described the problems he's had getting his new corporation off the ground and the promise it holds for the future. The United States is rapidly losing its lead in technology, Admiral Inman said, but he added he believes MCC and other technology-sharing consortiums that he expects will spring up within a number of American industries will help the nation to retain its edge. More rapid spin-offs of pure technology into profitable products and services are needed in the U. S., he said.

During a press conference that followed his address, Admiral Inman said that at least two of the 122-person research staff he has assembled in Austin have backgrounds in the financial-services industry. He said he did not believe any technology-sharing consortium that might be established within banking would concern itself with pure research such as MCC has, but rather would develop applications of technology for the industry.

John S. Reed, vice chairman, Citibank, New York City, said banking must become a "paperless, interactive, service business" if it is to survive. Nothing guarantees banking's survival, he said, and banking appears to be at an historic crossroads that will determine whether it succeeds or fails. American consumers will not be "poorly served" if banks fail to provide the services consumers want, he said.

"There will be suppliers who will supply those services even if banks don't," said Mr. Reed.

A bank's lending relationship with its customer "no longer pays the freight," and banks must find other services to offer that generate new sources of income, according to Mr. Reed. He lambasted bankers for always looking outside their industry for new technology to solve problems in areas fundamental to banking's existence, but cautioned those in his audience not to forget about people in their drive to stay abreast of technology. Technology that banking utilizes must meet some human need, he said.

Nearly 230 exhibitors with products and services covering the entire spectrum of electronic banking displayed their wares at NOAC. In addition to the general sessions, there were more than 30 individual workshops divided into the following general categories: emerging bank services, microcomputers, productivity, payment systems and services and operations/systems management. — **John L. Cleveland, assistant to the publisher.**

State Conventions

(Continued from page 22)

media.

New Mexico bankers also heard from Jack Jackson, an American Airlines executive for 23 years, who compared deregulation of the airlines to deregulation of financial institutions.

One of the most critical items addressed by New Mexico bankers this go-round was whether to open membership in the state association to nonbanking institutions — in this particular case, request for membership by one of the largest S&Ls in the state.

By a vote of almost five-to-one, the request was turned down and the decision made not to open full membership to nonbank facilities. The specific request by the S&L institution was for full-voting membership.

New Mexico Governor Toney Anaya addresses New Mexico Bankers Association convention.

The final vote was taken on the last day of the convention, but not until after the voting members had discussed the issue for more than an hour-and-a-half at a meeting the previous day.

At the convention windup, New Mexico banking and insurance executive Jack Daniels took over as president of the NMBA for 1984-1985.

Mr. Daniels serves as chairman, Moncor Bank, Hobbs. For the past three years he has been chairman of the NMBA legislative committee and has served on the ABA government relations council.

Elected president-elect was Bill Robertson, president, Citizens Bank, Las Cruces. Mr. Robertson has been Citizens Bank president/CEO since 1974 and also serves as president/CEO, Amador Bancshares, Inc., the bank's one-bank HC.

Before convention adjournment, the NMBA passed a resolution endorsing banker participation in the New Mexico Business Development Corp., a development organization established by the State Legislature shortly after Governor Toney Anaya took office.

Initially, the state tried to raise funds for the new corporation strictly from within state boundaries, but only recently got SEC approval to solicit stock-subscription sales from outside the state. ● ●

Michigan

MICHIGAN Bankers Association members have been introduced to a comprehensive, five-year strategic plan for the association that includes studying the feasibility of allowing participation by representatives of nonbank financial institutions.

The plan was unveiled at the MBA's 99th annual convention in June at the Grand Hotel, Mackinac Island. New MBA President Robert W. Sherwood, chairman/president, National Bank, Hastings, emphasized the MBA has no plans at present to invite participation by nonbanks such as S&Ls and credit unions, but does plan to study the feasibility of such a program.

He called the new strategic plan — developed under the administration of his predecessor, Loren C. Adgate, president/CEO, First Security, Ionia — a historic milestone for the association, but added that it does not represent "radical" thinking.

The plan, in fact, largely is based on more than 200 responses to a seven-part questionnaire distributed to top-level executives at the MBA's 345 member banks. Some bank HCs responded on behalf of all their affiliates. A steering committee headed by Mr. Adgate, with assistance of the Detroit office of Arthur Young & Co., analyzed results of the survey and based the strategic plan on the following six key assumptions:

- Intrastate banking will occur within one year.
- Widespread interstate banking will occur within three to four years. New technologies will assume increased importance at that time.
- The number of independent banks will decrease, but community banks can be viable.
- Competition will intensify, with nonbanks, S&Ls and banks competing for overlapping market segments.
- The public is unaware of the need

New Michigan Bankers Association officers for 1984-85 are (from l.): Donald J. Smallcombe, treas.; Lyle McKinley, 2nd v.p.; Daniel R. Smith, 1st v.p.; and Robert W. Sherwood, pres.

for expanded powers; banks face entrenched interests in seeking to gain them.

- Many important segments of the public do not view banks as sufficiently supportive or innovative with respect to economic development.

Objectives outlined in the strategic plan call for maintaining the MBA as the "preeminent banking association in Michigan." While the member survey uncovered strong support for the MBA and its activities, Arthur Young & Co. reported the association also may need to seek new sources of revenue and alter its management structure and systems to accommodate a wider diversity of member interests.

The consulting company recommended that the MBA continue to work to consolidate industry leadership in the state, including the "possible merging of existing industry associations and/or development of cooperative arrangements with organizations having similar interests."

President's Speech. In his final speech as MBA president, Mr. Adgate referred to the member survey and strategic plan as partial fulfilment of two promises he'd made when he assumed the MBA presidency. He recalled that he'd promised he would work hard to uncover and meet member needs and to bring about greater industry unity. The possibility and advantage of greater industry unity were demonstrated in the compromise the MBA had worked out on the "terribly divisive" intrastate banking issue, Mr. Adgate said. Legislation based on the MBA compromise is being considered by the state legislature. Debate on intrastate banking had shown that bankers in the state have fewer differences than they imagined and that most differences that do exist can be worked out in calm discussions behind closed doors.

"We should have gone behind those closed doors before we did," he said.

Mr. Sherwood, stating that the strategic plan was not meant to be "written, distributed and put on a shelf," pledged to follow instructions in the plan. He also pledged to work to reform what he called Michigan's "outmoded" usury laws.

New Officers. MBA officers elected

to a 1984-85 term in addition to Mr. Sherwood are: first vice president, Daniel R. Smith, president, First of America Bank Corp., Kalamazoo; second vice president, Lyle McKinley, president, Citizens National, Cheboygan; and treasurer, Donald J. Smallcombe, chairman/president, First National, Three Rivers.

Guest Speakers. Possibilities for further banking-industry deregulation were discussed by a number of guest speakers invited by the MBA. Silas Keehn, president, Federal Reserve Bank, Chicago, said the times "cry out" for further deregulation of banks. He said the banking industry is now at a crossroads, during which it will be determined whether Congress begins re-regulation, takes a pause in the deregulation process or takes advantage of the current "opportunity" to continue deregulation of banks.

Mr. Keehn said he believes Congress now is in the process of discovering that the "toothpaste is already out of the tube" and that re-regulating banks offers as many difficult choices as continuing to deregulate. The "momentum of the market" is too great to impose the "cooling-off period" that some in Congress would like, he said.

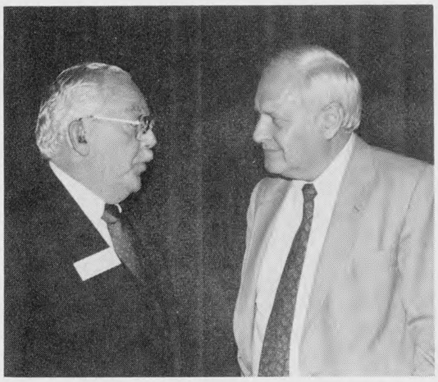
Speaking in behalf of C. Todd Conover, Comptroller of the Currency, who was unable to attend the MBA convention, James Boland, deputy comptroller for industry and public affairs, said it will be public interests, not special interests, that will dictate the future course of financial-service deregulation. The deregulation debate in Washington, D. C., has degenerated into a turf battle, he said, and he urged bankers to elevate the level of the debate.

Citing what he called "hardball lobbying" by banking-industry opponents against further deregulation, Lee E. Gunderson, partner/national director, banking-industry relations, Arthur Young & Co., New York City, urged bankers to "take a page" from their opponents' book. Mr. Gunderson is a former ABA president.

"They have been coming to Washington in droves," Mr. Gunderson said, referring to banking's legislative opponents. Unless bankers meet with their legislators and explain the problems of the banking industry, he said, "we're going to live with the status quo."

Robert MacDonald, president/CEO, ITT Life Insurance Co., Minneapolis, spoke of the "tremendous potential" for partnerships between banks and insurance companies if the deregulatory process continues. Banks have credibility with consumers while insurance companies have the expertise in insurance that banks need to succeed, Mr. MacDonald said. Differences between the two industries are eroding because consumers increasingly are refusing to make the distinction between them.

"The competition is here whether we like it or not," he said. "Unless we unite, we could be swept aside by these new financial giants." ● ●



New Michigan Bankers Association Pres. Robert W. Sherwood, ch./pres., National Bank, Hastings, chats with political columnist Jack Anderson (r.) during Michigan convention. Mr. Anderson was convention speaker.

Banks' Employees Are Focus Of Statewide Ad Campaign

ALTHOUGH the Texas American network of banks in Texas covers urban, suburban and rural markets, these banks have begun a statewide advertising campaign whose theme is, "You deserve a special kind of banker." The program stresses "the professional superiority of the people at Texas American banks."

This one ad campaign for all Texas American banks (TAB) was created by Brouillard Communications, New York City, a division of J. Walter Thompson, also of New York City. TAB retained Brouillard last January 1 to represent Texas American Bancshares, headquartered in Fort Worth, and its 27 banks across the state. The campaign was adopted, according to Robert W. Scott, senior vice president at Brouillard, after his firm's creative and account people spent four weeks in Texas interviewing senior managements of the HC and all its banks.

Mr. Scott says that regardless of the geographic dispersion of Texas American banks, Brouillard found that the one thing all the banks have in common is a "special" group of bankers — bankers with a particular style of doing business, a motivation to serve, a sensitivity to customer problems and a dedication to finding solutions to those problems.

As Mr. Scott puts it, "It is these qualities — not the banks' products and services — that make Texas American different from other Texas banks — and why customers like to do business with Texas American bankers. This is what we have captured in the 'You deserve a special kind of banker' campaign."

Basically, the campaign tells the public that Texas American customers are special, and the banks' employees are special. Individual banks are able to use parts of an "umbrella" campaign to produce materials for specialized ads in their own markets.

Mr. Scott says the target audience for TAB's campaign is up-scale professionals and middle-market Texas companies. For instance, one four-color ad shows a green-clad physician saying, "For my practice, I need a special kind of banker." At the bottom of the ad copy appears the theme, "Texas American. A special kind of banker."

Another ad pictures an obviously

This is one in series of ads being used by Texas American Bancshares of Fort Worth's 27 banks located across Texas. Theme of ad campaign is "You deserve a special kind of banker." Ads stress "professional superiority of the people at Texas American banks."

successful and attractive woman architect, who also says, "For my business, I need a special kind of banker." Again, ad copy ends with the theme, "Texas American. A special kind of banker."

The campaign broke March 15 with radio spots, print ads and outdoor billboards. TV commercials began airing March 19, and color magazine ads began appearing in statewide publications in April. Various ads are appearing in markets across the state where Texas American banks are located, including Dallas, Fort Worth, Houston, Austin and west Texas.

Naturally, says Mr. Scott, research will be playing an important role in measuring the return on TAB's advertising investment. The research firm of Yankelovich, Skelly & White currently is conducting benchmark attitudinal research among TAB's target audiences to measure existing awareness and perceptions. Brouillard's plan is to conduct follow-up tracking research late in 1985 to measure increases in awareness and changes in perceptions.

He also says the new campaign is expected to run for quite some time, evolving as Texas American evolves. However, the campaign's foundation — the "special" Texas American banker — will not change, says Mr. Scott, because of TAB's commitment to attracting, growing, training and keeping the best people possible.

This is the first statewide campaign for Texas American banks since they underwent a name change a year and a half ago, points out Ann Quinn, the HC's marketing director.

"One reason we changed the names of all our banks to the common Texas American name," Ms. Quinn explains, "was to realize economies of scale in advertising, and this is our first major effort toward that end." ● ●

● **Manufacturers Hanover Corp. and Manufacturers Hanover Trust,** New York City, have elected Robert E. Allen, executive vice president/corporate administration and finance, American Telephone & Telegraph Co., to their boards.

● **David L. Chew** has been named senior deputy comptroller for policy/planning, Office of the Comptroller of the Currency. He succeeds Doyle L. Arnold, who resigned May 1. Since 1981, Mr. Chew had been executive assistant to the Secretary of the Treasury and had been responsible for the secretary's immediate office and staff.

Respondent Banks

(Continued from page 16)

information for which they were totally dependent on upstream correspondents in the past.

"Correspondent banking will continue to be involved with buying and selling participations, but continued deregulation will require more involvement in the interpretation of regulations as they affect country banks.

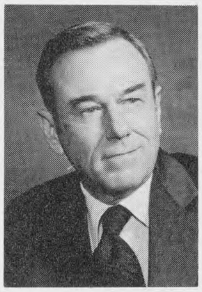
"I see the future of correspondent banking as one of diversification. The emerging deregulated banking environment will bring about new needs/areas for which country banks will need additional support programs and services from correspondents."

Predictions Made

- "As deregulation allows new services, 'big-brother' correspondent banks must be in position to help with implementation of ideas and services."
- "Correspondent banks will continue to evaluate deposit accounts of respondents to see if the services they are providing are being paid for by deposits. In the future, respondents will be paying for these services in cash rather than in balances. Correspondent banks will be working harder in rural areas to situate themselves for interstate banking."
- "Correspondent banking will have its place in the future, but relationships with respondents will lessen because of deregulation and population differences."
- "Within 10 years, the bankers' bank in our state, owned by independent banks, may be the only fully committed source of correspondent services."
- "Small banks are relying more on consultants than on correspondents for services. My bank is a client of a marketing firm, an investment firm and an operations consultant. We clear through the Fed, so have little use for correspondent services except in the area of safekeeping securities, wire transfers and loan participations."
- "I anticipate that major correspondents will become direct competitors."
- "I expect to see some reduction in the number of banks offering conventional correspondent service. Those that remain will be much more competitive. User banks will be more demanding and will be more willing to shop around for services." — **Jim Fabian, senior editor.**

Senterfitt Receives Nod As ABA President in '85, President-Elect in 1984

Donald T. Senterfitt, vice chairman, Sun Banks, Inc., Orlando, Fla., has received the ABA council's nod to head the association as its president for the 1985-'86 term. Mr. Senterfitt was nominated as president-elect for 1984-'85, an action that practically guarantees he will serve as president the following term.



SENTERFITT

Mr. Senterfitt won the bid as president-elect over Bill Rodgers, chairman, Security Bank, Blackwell, Okla., who also was in the running for the office.

Nominations for the 1984-'85 ABA officers were announced recently, following ther association's annual spring meeting.

The complete slate of nominations for the 1984-'85 term includes the following:

For president — James G. Cairns Jr., currently ABA president-elect, and president, Peoples National of Washington, Seattle.

For president-elect — Mr. Senterfitt.

For ABA council chairman — C. Robert Brenton, currently ABA president, and president, Brenton Banks, Inc., Des Moines, Ia.

For treasurer — Harry R. Mitiguy, currently ABA treasurer, and president/CEO, Howard Bank, Burlington, Vt. It's usual for ABA treasurers to serve two terms.

Elections will be held during the ABA's annual convention, which is set for October 20-24 in New York City.

Mr. Cairns is serving on the ABA's executive committee, board of directors and the ABA council. He is a past chairman of the payment systems policy board and a former member of the government relations council. He joined the bank in 1963 and has been president since 1979.

Banking Scene

(Continued from page 6)

afield.

As I read Mr. Conover's words, I couldn't help but wonder if — given the conservative mind set of bankers — bankers in North Carolina took him seriously. I wonder if we'll be seeing Wachovia Bank, Winston-Salem, or North Carolina National, Charlotte, changing their charters.

Any widespread conversion of bank charters to unitary-thrift HCs probably would prompt a rapid change in regulations. Readers may recall that a year or so ago, Walter Wriston remarked that CitiBank, New York City, perhaps ought to give up its charter. He did not mention at the time what type of charter might be more attractive, but it is important to note that Mr. Conover was not the first top banking representative to suggest that switching charters might be an attractive proposition.

Thrifts Not Restricted

Thomas P. Vartanian, a former general counsel of the Federal Savings & Loan Insurance Corp., has been quoted as saying that the "unitary thrift would not be subject to the Federal Reserve Board's restricting bank HCs." He said the S&L HC would be free to engage in any activity not expressly forbidden, to make any investment it wished and to have a controlling interest in almost any company anywhere in the world.

Can bankers be blamed for wondering aloud whether the grass is greener on the other side of the fence? Of course, the world rarely is as neat or as wonderful as we'd like it to be. As I said, if banks started switching their charters to avoid federal regulation, we'd see regulators rapidly closing the unitary-thrift HC loophole.

Another problem with switching charters is that bankers would find themselves being regulated by agencies decidedly unsympathetic to them. The Federal Home Loan Bank Board (FHLBB) consistently has taken positions favorable to S&Ls; bank regulators traditionally have stood up for the institutions they have responsibility for. Maybe the devil bankers know is better than the one they don't.

Yet one wonders if even unsympathetic regulators would be as bad as the constraints bankers currently have to labor under, especially considering the entry of new competitors into the

banking field. When the FHLBB lowered capital requirements of S&Ls and created paper capital to inject into the battered thrift industry when the thrift capital position deteriorated below 3%, no one seemed to ask whether such policies were good for the industry or society. Bank regulators would have closed hundreds of commercial banks under similar circumstances.

Marketing studies show that the general public perceives institutions with the word "bank" in their title to be preferred to such words as "building and loan," "cooperative" or "savings and loan." Other studies have shown that when individuals have asked where they bank, frequently they say they "bank" at S&Ls or at credit unions.

Banks may take great pride in their reputations for caution and stability, but the public tends to lump all financial institutions into a homogeneous pile. Pride aside, would bankers be any less bankers or financiers if their institutions' charters were those of unitary thrifts? Who but they would know the difference? • •

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Notice is hereby given that at 10:00 a.m. on Thursday, August 16, 1984, at the office of First Commercial Bank, N.A., Second Floor, Capitol and Broadway Streets, Little Rock, Arkansas 72201, the following personal property will be sold at public auction, to-wit:

(a) 3,457 shares of common stock of the Bank of Glenwood, Glenwood, Arkansas, which constitutes approximately 86% ownership of the stock of said Bank,

(b) 12,550 shares of common stock of Pike County Bank, Murfreesboro, Arkansas, which constitutes 78% ownership of the stock in said Bank.

For information concerning the Bank stock to be sold, contact Melvin Sullivan, P.O. Box 38, Grannis, Arkansas 71944 or call 1-501-385-2331.

For information concerning the terms of the sale, contact Wallace Cunningham, Executive Vice President, First Commercial Bank, N.A., Capitol at Broadway, Little Rock, Arkansas 72201 or call 1-501-371-7092.

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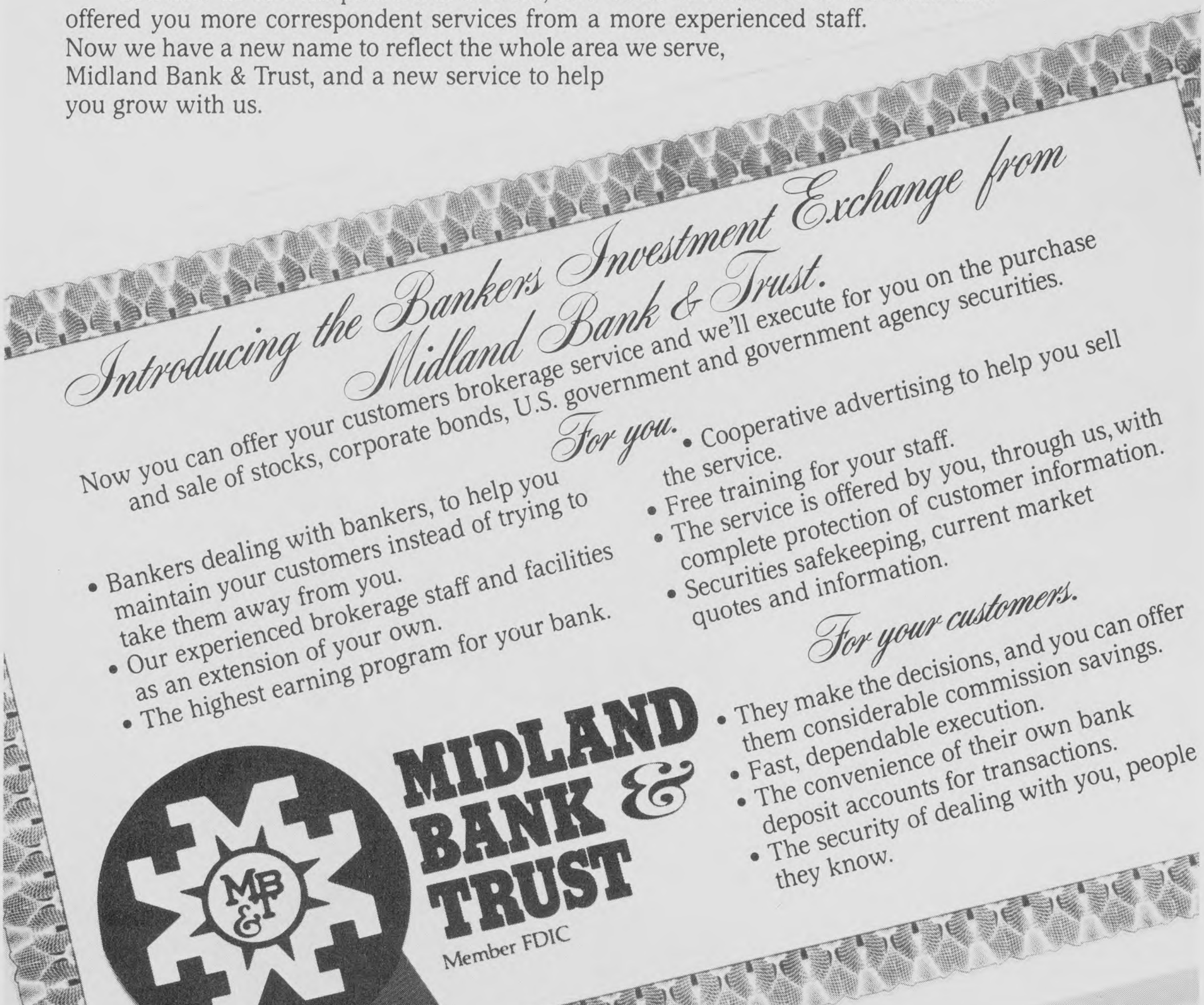

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Preventing Another Continental Discussed at Bank Meeting

CONTINENTAL Illinois National of Chicago's problems highlight the need for tougher enforcement of the law by bank regulators, according to Donald E. Lasater, chairman/CEO, Mercantile Bancorp, Inc., and chairman, Mercantile Trust, both in St. Louis.

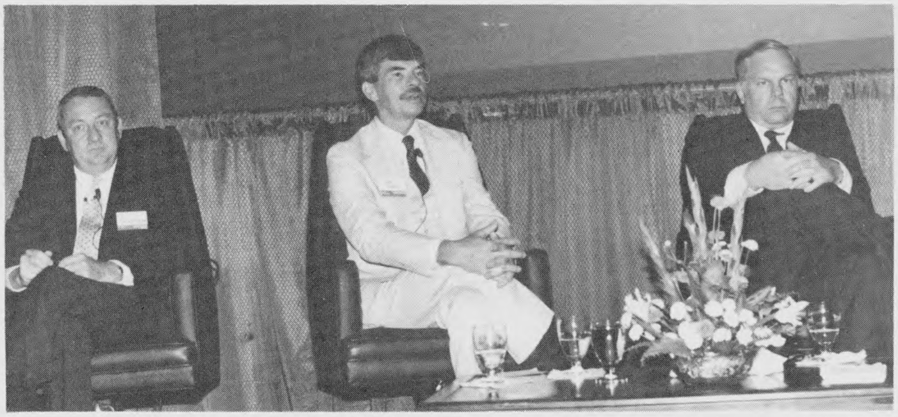
Mr. Lasater made his remarks at Mercantile's 29th annual correspondent conference at the Clarion Hotel, St. Louis.

"We need stop orders with teeth in them," Mr. Lasater said, referring to what he perceives as a need for bank regulators to act sooner and more vigorously to force corrective measures at problem banks. He went on to say he was not advocating nitpicking oversight by bank regulators, but that in light of the Continental Illinois debacle, some degree of over-regulation may be a burden bankers must bear. The worldwide banking system is too volatile to permit another Continental Illinois situation, he said.

Mr. Lasater had just returned from the International Monetary Conference in Philadelphia, where, he said, problems of Continental Illinois had been a topic of concern among bankers from all over the world, not just the United States. Permitting Continental Illinois to fail could have created a genuine worldwide "disaster," Mr. Lasater said, but he conceded the safety net the federal government had erected for the $40-billion Chicago bank "raises your hackles and it raises my hackles because it looks like a dual standard."

While government cannot stand by and let banks the size of Continental Illinois fail, it can attempt to prevent them from pursuing policies that got Continental Illinois into difficulty. Personnel at the Chicago bank had acted "as if there were no tomorrow," he said.

"No one institution can be so smart as to run faster than everyone else for so long," Mr. Lasater said.



Panel fields questions from audience at annual Mercantile Trust correspondent conference in St. Louis. From l.: Richard Johannesman, e.v.p.; Eugene Leonard, s.v.p.; and John H. Blixen III, s.v.p. Not pictured is Robert Blomquist, v. ch., moderator.

Not only had Continental Illinois' problems created doubts about the soundness of the banking system, they had assisted the cause of those in Congress who have advocated greater control over banks, according to Mr. Lasater. A version of a bill sponsored by Rep. Fernand St Germain (D,R.I.) and Chalmers Wylie (R,Ohio), HR 5734, would close the nonbank loophole, but also would exempt thrifts from restrictions imposed on banks, he said. Mr. St Germain indicated recently that new language eliminating those provisions giving S&Ls advantages over banks would be inserted into HR 5734.

During his speech, however, Mr. Lasater cautioned bankers to be careful about how they pressed for the closing of the nonbank loophole lest they get more legislation than they bargained for.

"This is the start of re-regulation," he said, referring to the St Germain-Wylie bill. "This is going backward."

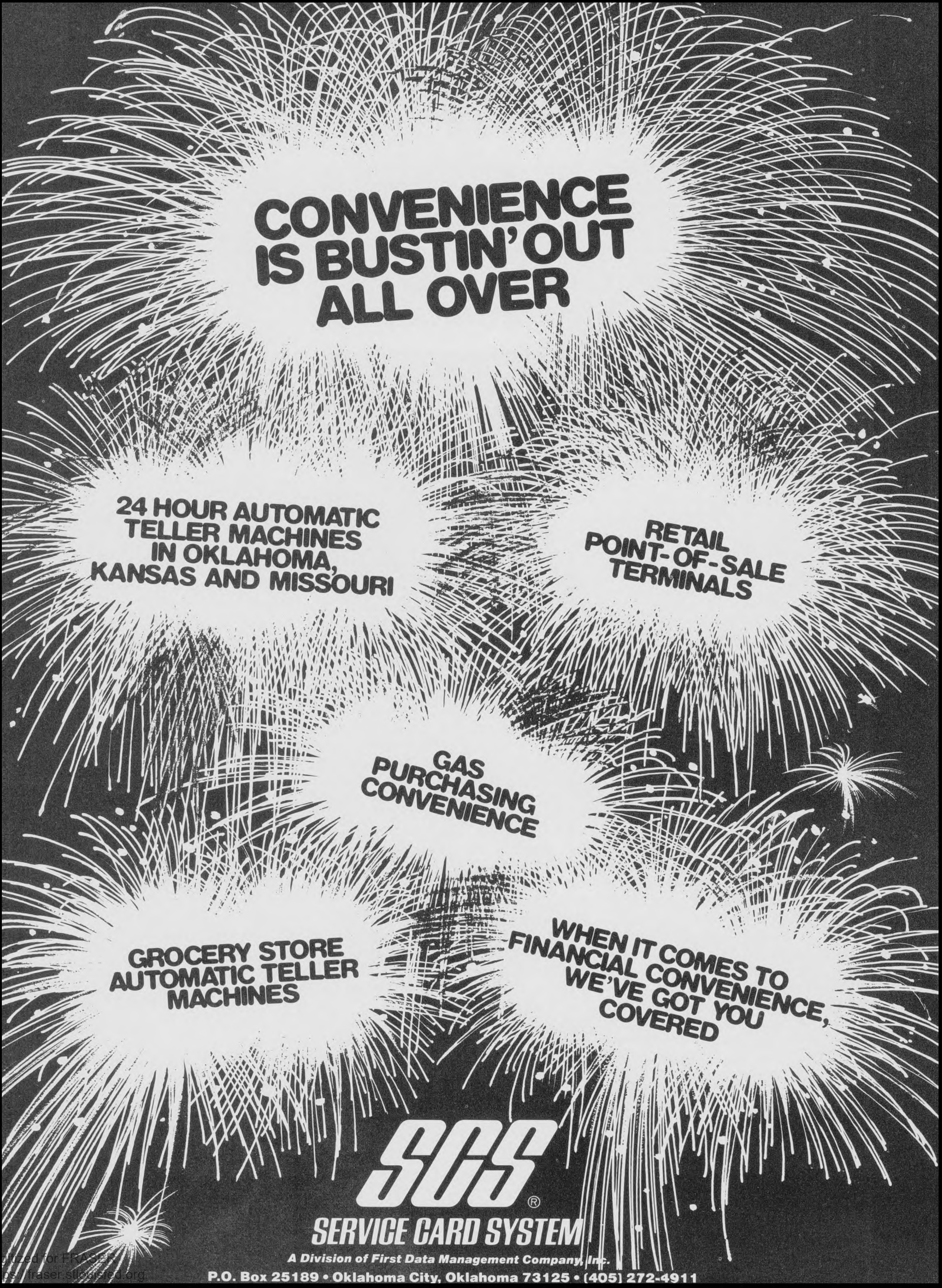
With some minor disagreements, a panel of Mercantile's experts had — prior to Mr. Lasater's talk — presented a generally rosy picture of the economic outlook for the remainder of the current election year. The entire Mercantile correspondent conference, in fact, had a "Campaign '84" theme with red, white and blue decorations in the rooms where the meetings were held. The agenda for the conference was printed on a form that looked like a ballot.

The Mercantile panel consisted of Eugene Leonard, senior vice president; John H. Blixen II, senior vice president; Richard Johannesman, executive vice president; and Robert O. Blomquist, vice chairman, and panel moderator. Panelists' economic forecasts were strongly influenced by the elections this November.

"Election years generally are pretty good to the economy," said Mr. Leonard. "In the postwar period, there have been only two years in which there were recessions in an election year. Those are pretty good odds."

Panelists generally foresaw little likelihood of a recession in 1984 or early 1985. Salvage efforts at Continental Illinois mean the Federal Reserve is pumping new money into the economy, said Mr. Blixen. This "bubble" of money, he continued, should preclude the idea of a recession in 1985. He projected a slowing of the annual rate of Gross National Product (GNP) growth to 3% and an increase in the annual rate of inflation to about 6% by year's end.

Mr. Johannesman said the basic, underlying trend of interest rates still is upward, and there will be no significant change until substantial efforts are made to reduce the federal deficit. He projected that the prime interest rate could be hovering around 13½% by the end of the year. Mr. Blixen pro-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jected a prime rate in the neighborhood of 14% by the end of the year with still further increases possible early in 1985, followed by a period of moderating rates.

Mercantile also gave bankers attending the conference an opportunity to make projections of their own about economic and political events. An overwhelming 95% of the bankers in the audience said they foresee a victory for Ronald Reagan in November. A year-end prime rate in the 10.5%-to-15% range, with 13% most likely, was projected by bankers. The Dow Jones Industrial Average probably would be around 1,200 at the end of the year, bankers indicated, although forecasts ranged between 800 and 1,400. — **John L. Cleveland, assistant to the publisher.**

School Children Avid Supporters Of Statue of Liberty Renovation

ALMOST 100 years ago, school children across America contributed funds to help pay for the erection of the Statue of Liberty in New York harbor.

This year, school children again are being encouraged to participate in raising funds, but the goal this time is to help pay for renovation of the famous statue. Liberty National, Oklahoma City, is in the forefront of that encouragement.

Liberty National launched its Statue of Liberty renovation campaign in mid-February. It will continue through July 4.

"Grass-roots support is growing, though most of it is not yet harvested," says Linda Moore, vice president of the bank and coordinator of its fund-raising effort. Ms. Moore has made presentations to many schools and organizations in the bank's trade area. She also has supervised the mailing of several hundred campaign kits to schools in response to requests.

A number of local schools have announced participation efforts. One student at an elementary school reported that a miniature of the statue has been constructed at the school; another school is conducting a "readathon" in the first through fifth grades to raise money.

Civic groups also are participating, and a grandmother sent in $7, representing a $1 donation for each of her grandchildren. Another unique contribution was receipt of a check for $98 from Jack Conn, chairman, Oklahoma State Semi-Centennial celebration and retired chairman, Fidelity Bank, Oklahoma City. His contribution was $1 for each year the statue has stood "as America's welcoming committee." The statue celebrates its centennial in 1986.

The goal in the Liberty campaign for Mid-America is $100,000 by July 4. Nationally, some $230 million is needed to restore the statue and Ellis Island.

Members of first grade class at Oklahoma City school wrote, produced and presented a play about the Statue of Liberty in an attempt to raise funds for the renovation coordinated by Liberty Nat'l, Oklahoma City.

Liberty National is matching every dollar contributed by school children and their projects, up to a total of $25,000. As of March 31, school projects were responsible for more than $8,000 in contributions.

The bank also is contributing specified amounts for each use of certain services of the bank from the time of the campaign launching through July 4, such as: $10 for each new auto-installment loan, $5 for each new IRA, $3 for each market-rate checking account, $2 for each new market-rate investment account, $1 for each new or existing customer who signs up for direct deposit and a nickel for each ChecOKard deposit made. • •

• **Brian W. Smith** has resigned as chief counsel to the Office of the Comptroller of the Currency to become a partner in the Washington, D. C., office of a New York City law firm. Mr. Smith joined the CofC in 1982 following service as general counsel/corporate secretary, MasterCard International. Prior to that, he served on the legal staffs of American Express Co. and CIT Financial Corp.

EFT Switching Network Set By First NBC, New Orleans

First National Bank of Commerce, New Orleans, plans to implement an electronic switching network to provide EFT interchange capability to correspondent banks throughout Louisiana, Mississippi and Alabama.

Principal thrust of the network will be to provide ATM interchange services among financial institutions and to establish a system that would be capable of switching transactions. September is the start-up date.

Members of the network will have a variety of options, including issuing cards and allowing customers to use ATMs installed by other members. Membership is not limited to institutions with their own computers nor to those with ATMs in place.

Members with their own ATMs can choose to retain their existing name or adopt the Expres' Banque name of the First NBC network.

Related service options the bank plans to provide include card preparation and issuance and consulting services for banks new to the ATM arena.

The switch eventually is expected to extend into areas beyond ATMs, according to First NBC.

Goldstein Named V. Ch., Mid-America Payment

Jerry Goldstein, senior vice president/planning, Mercantile Bancorp., St. Louis, has been selected as the new vice chairman of MPX (Mid-America Payment Exchange).

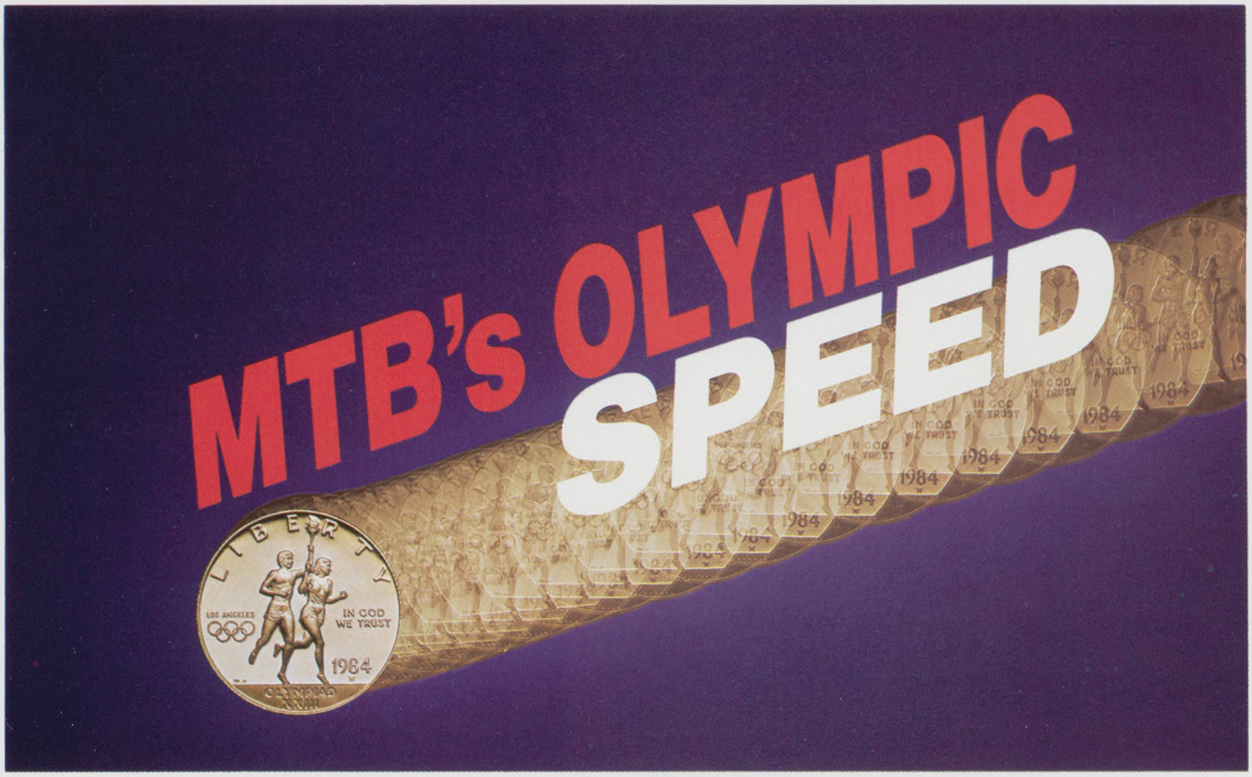
Marvin Smith, vice president, Boatmen's National, St. Louis, was named treasurer and was appointed to the MPX executive committee.

MPX, an electronic funds transfer organization, resulted from a merger of three ACHs headquartered in Little Rock, Kansas City and St. Louis. It's owned by 2,000 financial institutions in seven mid-western states.

Bank Puts CD Rates on TV

A video rateline service has been started over cable TV by American National, Midwest City, Okla., on an experimental basis.

The service carries late information about interest rates the bank is paying on money-market deposit accounts; six-month, one-year and 18-month CDs; and 18-month IRAs. The service operates on a continuous basis and is available to more than 10,000 homes in the bank's trade area over cable channel 24.



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